

FULL EMPLOYMENT ACT OF 1945

HEARINGS BEFORE THE COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS HOUSE OF REPRESENTATIVES

SEVENTY-NINTH CONGRESS

FIRST SESSION

ON

H. R. 2202

A BILL TO ESTABLISH A NATIONAL POLICY AND PROGRAM
FOR ASSURING CONTINUING FULL EMPLOYMENT IN A
FREE COMPETITIVE ECONOMY, THROUGH THE CON-
CERTED EFFORTS OF INDUSTRY, AGRICULTURE,
LABOR, STATE AND LOCAL GOVERNMENTS,
AND THE FEDERAL GOVERNMENT

SEPTEMBER 25, 26, 27, 28, OCTOBER 2, 9, 10, 16, 17, 18, 19, 23, 24,
25, 26, 29, 30, 31, AND NOVEMBER 1, 5, AND 7, 1945

Printed for the use of the Committee on Expenditures in the
Executive Departments



COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS

CARTER MANASCO, Alabama, *Chairman*

JOHN J. COCHRAN, Missouri	CLARE E. HOFFMAN, Michigan
WILLIAM M. WHITTINGTON, Mississippi	GEORGE H. BENDER, Ohio
EDWARD J. HART, New Jersey	RALPH E. CHURCH, Illinois
JOSEPH J. MANSFIELD, Texas	WALTER H. JUDD, Minnesota
WILLIAM L. DAWSON, Illinois	CHARLES M. LaFOLLETTE, Indiana
DONALD O'TOOLE, New York	ROBERT F. RICH, Pennsylvania
JOHN S. GIBSON, Georgia	HENRY H. LATHAM, New York
JENNINGS RANDOLPH, West Virginia	ROBERT K. HENRY, Wisconsin
ALFRED J. ELLIOTT, California	
ED GOSSETT, Texas	
JOE W. ERVIN, North Carolina	
ALEXANDER J. RESA, Illinois	

WILLIAM A. YOUNG, *Clerk*

CONTENTS

	Page
ACT, Full Employment :	1
H. R. 2202	7
H. R. 4181	4
S. 380	1132
American Legion	1047
Anderson, Hon. Clinton P., Secretary of Agriculture	171
Anderson, Joseph P., American Association of Social Workers	1128
Arnall, Governor Ellis	237
Ball, Dr. Carleton, Congregational Christian Churches	503
Benson, Dr. George, President, Harding College	513
Bradley, Gen. Omar N., Administrator of Veterans' Affairs	799
Brown, Col. Millard D., President, Continental Mills	1128
Buffalo Chamber of Commerce	295
Carpenter, Herbert L., Commerce & Industry Association of New York	347
Cowan, Nathan E. Legislative Director, CIO	761
Crawford, Frederick C., President, Thompson Products	1146
Davis, John H., National Council of Farmers Cooperatives	705
Donnelly, James L., Illinois Manufacturers Association	439
Earl, Charles E., Jr., President, National Association State Chambers of Commerce	591
Flanders, Ralph E., Committee for Economic Development	1147
Friedman, Elisha M.	995
Goss, Albert S., Master National Grange	669
Hastings, Hudson, Professor of Economics, Yale University	192
Hazlitt, Henry, American Enterprise Association	1129
Henderson, Donald, Agricultural Workers Union	255
Hewes, Thomas	391
Hines, Lewis G., Legislative Representative, A. F. of L.	1138
Ingraham, Mrs. Henry A., Y. W. C. A.	628
Kane, Joseph W., Detroit Board of Commerce	130
King, Williford I., Committee for Constitutional Government	719
LaFollette, Charles M., Representative	287
Levy, Austin T., President, Harrisville Combing Mills	1142
Lewis, John L., United Mine Workers of America	1170
Lonigan, Edna, Economist, Brooklyn College	1133
Lucey, Most Reverend Robert E., Archbishop of San Antonio	1119
McCormack, Representative John W.	317
McHale, E. J., American Veterans Committee	148
Marston, Dr. R. B., National Education Association	539
Milliman, E. E., Railroad Brotherhood	547
Mosher, Ira, National Association of Manufacturers	1136
National Association for the Advancement of Colored People	1176
National Catholic Welfare Conference	1135
National Council of Jewish Women	738
Ogg, A. S., American Farm Bureau Federation	49
Outland, Representative George E.	35, 105
Patman, Representative Wright A.	238
Rice, Millard, Disabled American Veterans	205
Schramm, James S., Manager, Co-owner Schramm Co.	1089
Schwellenbach, Hon. Lewis B., Secretary of Labor	533
Schultz, Dr. Arch D., Ohio State Chamber of Commerce	145
Scott, Thomas J., Veteran World War II	1160
Shoup, Paul, Merchants & Manufacturers Association	1051
Smith, Representative Frederick C.	58
Smith, Harold, Director of the Budget	

	Page
Smith, Russell, National Farmers Union-----	754
Snyder, Hon. John W., Director War Mobilization and Reconversion-----	809
Spahr, Dr. Walter E., Professor of Economics, N. Y. U-----	458
Terborgh, George, Machinery & Allied Products Institute-----	601
Thomas, Julius A., National Urban League-----	1150
Vinson, Hon. Fred, Secretary of the Treasury-----	921
Voorhis, Representative Jerry-----	1018
Wallace, Hon. Henry A., Secretary of Commerce-----	827
Wise, Rabbi Stephen S.-----	1149

FULL EMPLOYMENT ACT OF 1945

TUESDAY, SEPTEMBER 25, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES IN EXECUTIVE DEPARTMENTS,
Washington, D. C.

The committee met at 10 a. m., Hon. Carter Manasco (chairman) presiding.

The CHAIRMAN. The committee will come to order.

We have met this morning for the consideration of H. R. 2202, which will be printed in the record at this point.

(The bills are as follows:)

[H. R. 2202, 79th Cong., 1st sess.]

A BILL To establish a national policy and program for assuring continuing full employment in a free competitive economy, through the concerted efforts of industry, agriculture, labor, State and local governments, and the Federal Government

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this act may be cited as the "Full Employment Act of 1945."

DECLARATION OF POLICY

SEC. 2. The Congress hereby declares that—

(a) It is the policy of the United States to foster free competitive enterprise and the investment of private capital in trade and commerce, and in the development of the natural resources of the United States;

(b) All Americans able to work and seeking work have the right to useful, remunerative, regular, and full-time employment, and it is the policy of the United States to assure the existence at all times of sufficient employment opportunities to enable all Americans who have finished their schooling and who do not have full-time housekeeping responsibilities freely to exercise this right;

(c) In order to carry out the policies set forth in subsections (a) and (b) of this section, and in order to (1) promote the general welfare of the Nation; (2) foster and protect the American home and the American family as the foundation of the American way of life; (3) raise the standard of living of the American people; (4) provide adequate employment opportunities for returning veterans; (5) contribute to the full utilization of our national resources; (6) develop trade and commerce among the several States and with foreign nations; (7) preserve and strengthen competitive private enterprise, particularly small business enterprise; (8) strengthen the national defense and security; and (9) contribute to the establishment and maintenance of lasting peace among nations, it is essential that continuing full employment be maintained in the United States;

(d) In order to assist industry, agriculture, labor, and State and local governments in achieving continuing full employment, it is the responsibility of the Federal Government to pursue such consistent and openly arrived at economic policies and programs as will stimulate and encourage the highest feasible levels of employment opportunities through private and other non-Federal investment and expenditure;

(e) To the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment; and

(f) Such investment and expenditure by the Federal Government shall be designed to contribute to the national wealth and well-being, and to stimulate increased employment opportunities by private enterprise.

THE NATIONAL PRODUCTION AND EMPLOYMENT BUDGET

SEC. 3. (a) The President shall transmit to Congress at the beginning of each regular session the National Production and Employment Budget (hereinafter referred to as the "National Budget"), which shall set forth in summary and detail for the ensuing fiscal year or such longer period as the President may deem appropriate—

(1) the estimated size of the labor force, including the self-employed in industry and agriculture;

(2) the estimated aggregate volume of investment and expenditure by private enterprises, consumers, State and local governments, and the Federal Government, required to produce such volume of the gross national product, at the expected level of prices, as will be necessary to provide employment opportunities for such labor force (such dollar volume being hereinafter referred to as the "full employment volume of production"); and

(3) the estimated aggregate volume of prospective investment and expenditure by private enterprises, consumers, State and local governments, and the Federal Government (not taking into account any increased or decreased investment or expenditure which might be expected to result from the programs set forth in such Budget).

The estimates and information herein called for shall take account of such foreign investments and expenditure for exports and imports as affect the volume of the gross national product.

(b) The extent, if any, by which the estimated aggregate volume of prospective investment and expenditure for any fiscal year or other period, as set forth in the National Budget in accordance with paragraph (a) (3) of this section, is less than the estimated aggregate volume of investment and expenditure required to assure a full employment volume of production, as set forth in the National Budget in accordance with paragraph (a) (2) of this section, shall for the purposes of this title be regarded as a prospective deficiency in the National Budget. When there is a prospective deficiency in the National Budget for any fiscal year or other period, the President shall set forth in such Budget a general program for encouraging such increased non-Federal investment and expenditure, particularly investment and expenditure which will promote increased employment opportunities by private enterprise, as will prevent such deficiency to the greatest possible extent. The President shall also include in such Budget such recommendations for legislation relating to such program as he may deem necessary or desirable. Such program may include, but need not be limited to, current and projected Federal policies and activities with reference to banking and currency, monopoly and competition, wages and working conditions, foreign trade and investment, agriculture, taxation, social security, the development of natural resources, and such other matters as may directly or indirectly affect the level of non-Federal investment and expenditure.

(c) To the extent, if any that such increased non-Federal investment and expenditure as may be expected to result from actions taken under the program set forth in accordance with subsection (b) of this section are deemed insufficient to provide a full employment volume of production, the President shall transmit a general program for such Federal investment and expenditure as will be sufficient to bring the aggregate volume of investment and expenditure by private business, consumers, State and local governments, and the Federal Government, up to the level required to assure a full employment volume of production. Such program shall be designed to contribute to the national wealth and well-being, and to stimulate additional non-Federal investment and expenditure. Any of such programs calling for the construction of public works by the Federal Government shall provide for the performance of the necessary construction work by private concerns under contracts awarded in accordance with applicable laws, except where the performance of such work by some other method is necessary by reason of special circumstances or is authorized by other provisions of law.

(d) If the estimated aggregate volume of prospective investment and expenditure for any fiscal year or other period, as set forth in the National Budget in accordance with paragraph (a) (3) of this section, is more than the estimated aggregate volume of investment and expenditure required to assure a full em-

ployment volume of production, as set forth in the National Budget in accordance with paragraph (a) (2) of this section, the President shall set forth in such Budget a general program for preventing inflationary economic dislocations, or diminishing the aggregate volume of investment and expenditure to the level required to assure a full employment volume of production, or both.

(e) The programs referred to in subsections (b), (c), and (d) of this section shall include such measures as may be necessary to assure that monopolistic practices with respect to prices, production, or distribution, or other monopolistic practices, will not interfere with the achievement of the purposes of this Act.

(f) The National Budget shall include a report on the distribution of the national income during the preceding fiscal year, or such longer period as the President may deem appropriate, together with an evaluation of the effect upon the distribution of the national income of the programs set forth in such Budget.

(g) The President may from time to time transmit to Congress such supplemental or revised estimates, information, programs, or legislative recommendations as he may deem necessary or desirable in connection with the National Budget.

PREPARATION OF NATIONAL BUDGET

SEC. 4. (a) The National Budget shall be prepared in the Executive Office of the President under the general direction and supervision of the President, and in consultation with the members of his Cabinet and other heads of departments and establishments.

(b) The President shall transmit to the several departments and establishments such preliminary estimates and other information as will enable them to prepare such plans and programs as may be needed during the ensuing or subsequent fiscal years to help achieve a full employment volume of production.

(c) The President may establish such advisory boards or committees composed of representatives of industry, agriculture, labor, and State and local governments, and others, as he may deem advisable for the purpose of advising and consulting on methods of achieving the objectives of this Act.

JOINT COMMITTEE ON THE NATIONAL BUDGET

SEC. 5 (a) There is hereby established a Joint Committee on the National Budget, to be composed of the chairman and ranking minority members of the Senate Committees on Appropriations, Banking and Currency, Education and Labor, and Finance, and seven additional Members of the Senate, to be appointed by the President of the Senate; and the chairmen and ranking minority members of the House Committees on Appropriations, Banking and Currency, Labor, and Ways and Means, and seven additional Members of the House of Representatives to be appointed by the Speaker of the House of Representatives. The party representation of the Joint Committee shall reflect the relative membership of the majority and minority parties in the Senate and the House of Representatives.

(b) It shall be the function of the Joint Committee—

(1) to make a study of the National Budget transmitted to Congress by the President in accordance with section 3 of this Act; and

(2) to report to the Senate and the House of Representatives, not later than March 1 of each year, its findings and recommendations with respect to the National Budget, together with a joint resolution setting forth for the ensuing fiscal year a general policy with respect to such National Budget to serve as a guide to the several committees of Congress dealing with legislation relating to such National Budget.

(c) Vacancies in the membership of the Joint Committee shall not affect the power of the remaining members to execute the functions of the committee, and shall be filled in the same manner as in the case of the original selection. The committee shall select a chairman and a vice chairman from among its members.

(d) The Joint Committee, or any duly authorized subcommittee thereof, is authorized to sit and act at such places and times, to require by subpoena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, to procure such printing and binding, and to make such expenditures at it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The provisions of sections 102 to 104, inclusive, of the Revised Statutes shall apply in case of any failure of any witness to comply with any subpoena, or to testify when summoned, under authority of this section.

(e) The Joint Committee is empowered to appoint and fix the compensation of such experts, consultants, technicians, and clerical and stenographic assistance as it deems necessary and advisable, but the compensation so fixed shall not exceed the compensation prescribed under the Classification Act of 1923, as amended, for comparable duties. The committee may utilize such voluntary and uncompensated services as it deems necessary and is authorized to utilize the services, information, facilities, and personnel of the departments and establishments.

(f) The expenses of the Joint Committee shall be paid one-half from the contingent fund of the Senate and one-half from the contingent fund of the House of Representatives upon vouchers signed by the chairman or vice chairman.

RATE OF EXPENDITURES

SEC. 6. (a) The President shall review quarterly all Federal investment and expenditure for the purpose of ascertaining the extent to which the current and anticipated level of non-Federal investment and expenditure warrants any change in the volume of such Federal investment and expenditure.

(b) Subject to such principles and standards as may be set forth in applicable appropriation Acts and other statutes, the rate of Federal investment and expenditure may be varied to whatever extent and in whatever manner the President may determine to be necessary for the purpose of assisting in assuring continuing full employment, with due consideration being given to current and anticipated variations in savings and in investment and expenditure by private business, consumers, State and local governments, and the Federal Government.

AID TO COMMITTEES

SEC. 7. The heads of departments and establishments shall, at the request of any committee of either House of Congress, furnish such committee with such aid and information with regard to the National Budget as it may request.

INTERPRETATION

SEC. 8. Nothing in this Act shall be construed as calling for or authorizing—

(a) the operation of plants, factories, or other productive facilities by the Federal Government;

(b) the use of compulsory measures of any type whatsoever in determining the allocation or distribution of manpower;

(c) any change in the existing procedures on appropriations; or

(d) the carrying out of, or any appropriation for, any program set forth in the National Budget, unless such program shall have been authorized by provisions of law other than this Act.

(e) the disclosure of trade secrets or other information, the publication of which might have a harmful effect upon the firm or person supplying such information.

[S. 380, 79th Cong., 1st sess.]

AN ACT To establish a national policy and program for assuring continuing full employment and full production in a free competitive economy, through the concerted efforts of industry, agriculture, labor, State and local governments, and the Federal Government

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Full Employment Act of 1945".

FREE ENTERPRISE AND FULL EMPLOYMENT

SEC. 2. (a) It is the responsibility of the Federal Government to foster free competitive private enterprise and the investment of private capital.

(b) All Americans able to work and seeking work are entitled to an opportunity for useful, remunerative, regular, and full-time employment, including self-employment in agriculture, commerce, industry or the professions.

(c) In order to assure the free exercise of the opportunity for employment set forth above and in order to (1) foster free competitive private enterprise and the investment of private capital; (2) promote the general health and welfare of the Nation; (3) foster the American home and American education as the foundation of the American way of life; (4) raise the standard of living of the American people; (5) provide adequate employment opportunities for returning veterans; (6) develop trade and commerce among the several States and with foreign nations; (7) maintain expanding markets for agricultural products and assure expanding income for agricultural enterprises; (8) contribute to the economic development of underdeveloped areas of the country; (9) encourage and strengthen competitive small business enterprises; (10) strengthen the national defense and security; and (11) contribute to the establishment and maintenance of lasting peace among nations, the Federal Government has the responsibility, with the assistance and concerted efforts of industry, agriculture, and labor and State and local governments and consistent with the needs and obligations of the Federal Government and other essential considerations of national policy, to assure continuing full employment, that is, the existence at all times of sufficient employment opportunities for all Americans able to work and seeking work.

(d) To that end the Federal Government shall, in cooperation with industry, agriculture, labor, State and local governments, and others, develop and pursue a consistent and carefully planned economic program with respect to, but not limited to, taxation; banking, credit, and currency; monopoly and monopolistic practices; wages, hours, and working conditions; foreign trade and investment; agriculture; education; housing; social security; natural resources; the provision of public services, works, and research; and other revenue, investment, expenditure, service, or regulatory activities of the Federal Government. Such program shall, among other things—

(1) stimulate, encourage, and assist private enterprises to provide, through an expanding production and distribution of goods and services, the largest feasible volume of employment opportunities;

(2) stimulate, encourage, and assist State and local governments, through the exercise of their respective functions, to make their most effective contribution to assuring continuing full employment;

(3) provide for an income for the aged sufficient to enable them to maintain a decent and healthful standard of living, and promote the retirement from the labor force of the older citizens; and

(4) to the extent that continuing full employment cannot otherwise be attained, provide, consistent with the needs and obligations of the Federal Government and other essential considerations of national policy, such volume of Federal investment and expenditure as may be needed, in addition to the investment and expenditure by private enterprises, consumers, and State and local governments, to achieve the objective of continuing full employment. Federal investment and expenditure, whether direct or indirect, or whether for public works, for public services, for assistance to business, agriculture, home owners, veterans, or consumers, or for other purposes, shall be designed to contribute to the national wealth and well-being and to stimulate increased employment opportunities by private enterprises. Any such Federal investment and expenditure calling for the construction of public works by the Federal Government shall provide for the performance of the necessary construction work by private enterprises under contract, except where the performance of such work by some other method is necessary by reason of special circumstances or is authorized by other provisions of law; and all such work shall be performed in accordance with all applicable laws, including laws relating to labor standards: *Provided*, That any program of Federal investment and expenditure for the fiscal year 1948 or any subsequent fiscal year when the nation is at peace shall be accompanied by a program of taxation over a period comprising the year in question and a reasonable number of years thereafter designed and calculated to prevent during that period any net increase in the national debt (other than debt incurred for self-liquidating projects and other reimbursable expenditures), without interfering with the goal of full employment.

(e) It is the policy of the United States to discharge the responsibilities herein set forth in such a manner as will contribute to an expanding exchange of goods and services among nations and without resort to measures or programs that would contribute to economic warfare among nations.

THE NATIONAL PRODUCTION AND EMPLOYMENT BUDGET

SEC. 3. (a) The President shall transmit to Congress at the beginning of each regular session the National Production and Employment Budget (hereinafter referred to as the "National Budget"), which shall set forth—

(1) for the ensuing fiscal year and such longer period as the President may deem appropriate, an estimate of the number of employment opportunities needed for full employment, the production of goods and services at full employment, and the volume of investment and expenditure needed for the purchase of such goods and services;

(2) current and foreseeable trends in the number of employment opportunities, the production of goods and services, and the volume of investment and expenditure for the purchase of goods and services, not taking into account the effects of the general program provided for in paragraph (3) hereof; and

(3) a general program, pursuant to section 2, for assuring continuing full employment, together with such recommendations for legislation as he may deem necessary or desirable. Such program shall include whatever measures he may deem necessary to prevent inflationary or deflationary dislocations or monopolistic practices from interfering with the assurance of continuing full employment.

(b) The National Budget shall include a review of the economic program of the Federal Government during the preceding year and a report on its effect upon the amount of the national income and upon the distribution of the national income among agriculture, industry, labor, and others.

(c) The President shall transmit quarterly to Congress a report on economic developments, together with such modifications in the National Budget and such legislative recommendations as he may deem necessary or desirable.

(d) When the National Budget and the quarterly reports thereon are transmitted to the Congress, they shall be referred to the Joint Committee on the National Budget hereinafter established.

PREPARATION OF NATIONAL BUDGET

SEC. 4. (a) The National Budget shall be prepared under the general direction and supervision of the President, and in consultation with heads of departments and establishments.

(b) The President shall consult with industry, agriculture, labor, consumers, State and local governments, and others, with regard to the preparation of the National Budget, and for this purpose shall establish such advisory boards, committees, or commissions as he may deem desirable.

JOINT COMMITTEE ON THE NATIONAL BUDGET

SEC. 5. (a) There is hereby established a Joint Committee on the National Budget, to be composed of fifteen Members of the Senate, to be appointed by the President of the Senate; and fifteen Members of the House of Representatives to be appointed by the Speaker of the House of Representatives. The party representation of the Joint Committee shall as nearly as may be feasible reflect the relative membership of the majority and minority parties in the Senate and the House of Representatives.

(b) It shall be the function of the Joint Committee—

(1) to make a continuing study of matters relating to the National Budget and to consult with the President with respect thereto;

(2) to make a study of the National Budget transmitted to Congress by the President in accordance with section 3 of this Act; and

(3) as a guide to the several committees of Congress dealing with legislation relating to the National Budget, not later than April 1 of each year to file a report with the Senate and the House of Representatives containing its findings and recommendations with respect to each of the main recommendations made by the President in the National Budget.

(c) Vacancies in the membership of the Joint Committee shall not affect the power of the remaining members to execute the functions of the committee, and shall be filled in the same manner as in the case of the original selection. The committee shall select a chairman and a vice chairman from among its members.

(d) The Joint Committee, or any duly authorized subcommittee thereof, is authorized to sit and act at such places and times, to require by subpoena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, to procure such printing and binding, and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The provisions of sections 102 to 104, inclusive, of the Revised Statutes shall apply in case of any failure of any witness to comply with any subpoena, or to testify when summoned, under authority of this section.

(e) The Joint Committee is empowered to appoint and fix the compensation of such experts, consultants, technicians, and clerical and stenographic assistants as it deems necessary and advisable, but the compensation so fixed shall not exceed the compensation prescribed under the Classification Act of 1923, as amended, for comparable duties. The committee is authorized to utilize the services, information, facilities, and personnel of the departments and establishments.

(f) The expenses of the Joint Committee shall be paid one-half from the contingent fund of the Senate and one-half from the contingent fund of the House of Representatives upon vouchers signed by the chairman or vice chairman.

INTERPRETATION

SEC. 6. Nothing contained herein shall be construed as directing or authorizing—

(a) the operation of plants, factories, or other productive facilities by the Federal Government;

(b) the use of compulsory measures of any type whatsoever in determining the allocation or distribution of manpower;

(c) any change in the existing procedures on appropriations; or

(d) the carrying out of, or any appropriation for, any program set forth in the National Budget, unless such program shall have been authorized by provisions of law other than this Act.

Passed the Senate September 28 (legislative day, September 10), 1945.

Attest:

LESLIE L. BIFFLE,
Secretary.

[H. R. 4181, 79th Cong., 1st sess.]

A BILL To establish a national policy and program for assuring continuing full employment under fair labor employment standards and practices in a free competitive economy, through the concerted efforts of industry, agriculture, labor, State and local governments, and the Federal Government

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Full Employment Act of 1945."

DECLARATION OF POLICY

SEC. 2. The Congress hereby declares that—

(a) It is the policy of the United States to foster free competitive enterprise and the investment of private capital in trade and commerce, and in the development of the natural resources of the United States;

(b) All Americans able to work and seeking work have the right to useful, remunerative, regular, and full-time employment under fair labor employment standards and practices, and it is the policy of the United States to assure the existence at all times of sufficient employment opportunities to enable all Americans without regard to their race, creed, color, national origin, or ancestry who have finished their schooling and who do not have full-time housekeeping responsibilities freely to exercise this right;

(c) In order to carry out the policies set forth in subsections (a) and (b) of this section, and in order to (1) promote the general welfare of the Nation; (2) foster and protect the American home and the American family as the foundation of the American way of life; (3) eliminate discrimination in employment against any person because of race, creed, color, national origin, or

ancestry; (4) raise the standard of living of the American people; (5) provide adequate employment opportunities for returning veterans; (6) contribute to the full utilization of our national resources; (7) develop trade and commerce among the several States and with foreign nations; (8) preserve and strengthen competitive private enterprise, particularly small business enterprise; (9) strengthen the national defense and security; and (10) contribute to the establishment and maintenance of lasting peace among nations, it is essential that continuing full employment under fair labor employment standards and practices be maintained in the United States;

(d) In order to assist industry, agriculture, labor, and State and local governments in achieving continuing full employment, under fair labor employment standards and practices, it is the responsibility of the Federal Government to pursue such consistent and openly arrived at economic policies and programs as will stimulate and encourage the highest feasible levels of employment opportunities, under fair labor employment standards and practices through private and other non-Federal investment and expenditure;

(e) To the extent that continuing full employment under fair labor employment standards and practices cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment under fair labor employment standards and practices; and

(f) Such investment and expenditure by the Federal Government shall be designed to contribute to the national wealth and well-being, and to stimulate increased employment opportunities by private enterprise under fair labor employment standards and practices.

THE NATIONAL PRODUCTION AND EMPLOYMENT BUDGET

SEC. 3. (a) The President shall transmit to Congress at the beginning of each regular session the National Production and Employment Budget (hereinafter referred to as the "National Budget"), which shall set forth in summary and detail, for the ensuing fiscal year or such longer period as the President may deem appropriate—

(1) the estimated size of the labor force, including the self-employed in industry and agriculture;

(2) the estimated aggregate volume of investment and expenditure by private enterprises, consumers, State and local governments, and the Federal Government, required to produce that volume of the gross national product and services at the expected level of prices, as will be necessary to provide employment opportunities under fair labor employment standards and practices for such labor force (such dollar volume being hereinafter referred to as the "full employment volume of production and services"); and

(3) the estimated aggregate volume of prospective investment and expenditure by private enterprises, consumers, State and local governments, and the Federal Government (not taking into account any increased or decreased investment or expenditure which might be expected to result from the programs set forth in such Budget).

The estimates and information herein called for shall take account of such foreign investments and expenditure for exports and imports as affect the volume of the gross national product.

(b) The extent, if any, by which the estimated aggregate volume of prospective investment and expenditure for any fiscal year or other period, as set forth in the National Budget in accordance with paragraph (a) (3) of this section, is less than the estimated aggregate volume of investment and expenditure required to assure a full employment volume of production and services as set forth in the National Budget in accordance with paragraph (a) (2) of this section, shall for the purposes of this title be regarded as a prospective deficiency in the National Budget. When there is a prospective deficiency in the National Budget for any fiscal year or other period, the President shall set forth in such Budget a general program for encouraging such increased non-Federal investment and expenditure, particularly investment and expenditure which will promote increased employment opportunities by private enterprise, as will prevent such deficiency to the greatest possible extent. The President shall also include in such Budget such recommendations for legislation relating to such program as he may deem necessary or desirable. Such program may include, but need not be limited to, current and projected Federal policies and activities with

reference to banking and currency, monopoly and competition, wages and working conditions, freight rates, industrial location and relocation, rural and urban housing, foreign trade and investment, agriculture, taxation, social security, the development of natural resources, including power, and such other matters as may directly or indirectly affect the level of non-Federal investment and expenditure.

(c) To the extent, if any, that such increased non-Federal investment and expenditure as may be expected to result from actions taken under the program set forth in accordance with subsection (b) of this section are deemed insufficient to provide a full employment volume of production and services, the President shall transmit a general program for such Federal investment and expenditure as will be sufficient to bring the aggregate volume of investment and expenditure by private business, consumers, State and local governments, and the Federal Government, up to the level required to assure a full employment volume of production and services. Such program shall be designed to contribute to the national wealth and well-being, and to stimulate additional non-Federal investment and expenditure. Any of such programs which call for the construction of public works by the Federal Government shall provide for the performance of the necessary construction work by private concerns under contracts awarded in accordance with applicable laws which shall insure that the work will be done under fair labor employment standards and practices, except where the performance of such work by some other method is necessary by reason of special circumstances or is authorized by other provisions of law.

(d) If the estimated aggregate volume of prospective investment and expenditure for any fiscal year or other period, as set forth in the National Budget in accordance with paragraph (a) (3) of this section, is more than the estimated aggregate volume of investment and expenditure required to assure a full employment volume of production and services, as set forth in the National Budget in accordance with paragraph (a) (2) of this section, the President shall set forth in such Budget a general program for preventing inflationary economic dislocations, or diminishing the aggregate volume of investment and expenditure to the level required to assure a full employment volume of production and services, or both.

(e) The programs referred to in subsections (b), (c), and (d) of this section shall include such measures as may be necessary to assure that monopolistic practices with respect to prices, production, or distribution, or other monopolistic practices, will not interfere with the achievement of the purposes of this Act.

(f) The National Budget shall include a report on the volume of goods by accepted categories produced and the services rendered during the preceding fiscal year, or such longer period as the President may deem appropriate, and on the distribution of the national income during the preceding fiscal year, or such longer period as the President may deem appropriate, together with an evaluation of the effect upon the distribution of the national income of the programs set forth in such Budget.

(g) The President may from time to time transmit to Congress such supplemental or revised estimates, information, programs, or legislative recommendations as he may deem necessary or desirable in connection with the National Budget.

PREPARATION OF NATIONAL BUDGET

SEC. 4. (a) The National Budget shall be prepared in the Executive Office of the President under the general direction and supervision of the President, and in consultation with the members of his Cabinet and other heads of departments and establishments and with the Joint Committee on the National Budget hereinafter established in section 5 or any duly authorized subcommittee thereof which it may designate.

(b) The President shall transmit to the several departments and establishments and to said joint committee or its duly authorized subcommittee such preliminary estimates and other information as will enable them to prepare such plans and programs as may be needed during the ensuing or subsequent fiscal years to help achieve a full employment volume of production and services.

(c) The President may establish such advisory boards or committees composed of representatives of industry, agriculture, labor, and State and local governments, and others, as he may deem advisable for the purpose of advising and consulting on methods of achieving the objectives of this Act.

JOINT COMMITTEE ON THE NATIONAL BUDGET

SEC. 5. (a) There is hereby established a Joint Committee on the National Budget, to be composed of the chairmen and ranking minority members of the Senate Committees on Appropriations, Banking and Currency, Education and Labor, and Finance, and seven additional Members of the Senate, to be appointed by the President of the Senate; and the chairmen and ranking minority members of the House Committee on Appropriations, Banking and Currency, Labor, and Ways and Means, and seven additional Members of the House of Representatives to be appointed by the Speaker of the House of Representatives. The party representation of the joint committee shall reflect the relative membership of the majority and minority parties in the Senate and the House of Representatives.

(b) It shall be the function of the joint committee—

(1) to make a study of the National Budget transmitted to Congress by the President in accordance with section 3 of this Act; and

(2) to report to the Senate and the House of Representatives, not later than March 1 of each year, its findings and recommendations with respect to the National Budget, together with a joint resolution setting forth for the ensuing fiscal year a general policy with respect to such National Budget to serve as a guide to the several committees of Congress dealing with legislation relating to such National Budget.

(c) Vacancies in the membership of the joint committee shall not affect the power of the remaining members to execute the functions of the joint committee, and shall be filled in the same manner as in the case of the original selection. The joint committee shall select a chairman and a vice chairman from among its members.

(d) The joint committee, or any duly authorized subcommittee thereof, is authorized to sit and act at such places and times, to require by subpoena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, to procure such printing and binding, and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The provisions of sections 102 to 104, inclusive, of the Revised Statutes shall apply in case of any failure of any witness to comply with any subpoena, or to testify when summoned, under authority of this section.

(e) The joint committee is empowered to appoint and fix the compensation of such experts, consultants, technicians, and clerical and stenographic assistance as it deems necessary and advisable, but the compensation so fixed shall not exceed the compensation prescribed under the Classification Act of 1923, as amended, for comparable duties. The joint committee may utilize such voluntary and uncompensated services as it deems necessary and is authorized to utilize the services, information, facilities, and personnel of the departments and establishments.

(f) The expenses of the joint committee shall be paid one-half from the contingent fund of the Senate and one-half from the contingent fund of the House of Representatives upon vouchers signed by the chairman or vice chairman.

RATE OF EXPENDITURES

SEC. 6. (a) The President shall review quarterly all Federal investment and expenditure for the purpose of ascertaining the extent to which the current and anticipated level of non-Federal investment and expenditure warrants any change in the volume of such Federal investment and expenditure.

(b) Subject to such principles and standards as may be set forth in applicable appropriation Acts and other statutes, the rate of Federal investment and expenditure may be varied to whatever extent and in whatever manner the President may determine to be necessary for the purpose of assisting in assuring continuing full employment under fair labor employment standards and practices with due consideration being given to current and anticipated variations in savings and in investment and expenditure by private business, consumers, State and local governments, and the Federal Government.

AID TO COMMITTEES

SEC. 7 The heads of departments and establishments shall, at the request of any committee of either House of Congress, furnish such joint committee with such aid and information with regard to the National Budget as it may request. The

President and the heads of departments and establishments shall transmit and deliver copies of all communications, information, or data relating to the preparation of the National Budget which shall pass between them to the joint committee or any duly authorized subcommittee thereof.

INTERPRETATION

SEC. 8. Nothing in this Act shall be construed as calling for or authorizing—

(a) the operation of plants, factories, or other productive facilities by the Federal Government; subject, however, to the limitations set out in section 9 hereof;

(b) the use of compulsory measures of any type whatsoever in determining the allocation or distribution of manpower;

(c) any change in the existing procedures on appropriations; or

(d) the carrying out of, or any appropriation for, any program set forth in the National Budget, unless such program shall have been authorized by provisions of law other than this Act;

(e) the disclosure of trade secrets or other information, the publication of which might have a harmful effect upon the firm or person supplying such information.

SEC. 9 The Congress declares that—

(a) It takes cognizance of the claims, presently being made in the United States, that consumer goods can be more efficiently produced in the interest of consumers and full employment under fair labor employment standards and practices more certainly obtained either through the operation of industrial plants by workers' cooperatives, or by Government ownership and operation, than by the accepted American method of private-employer ownership and employee workers;

(b) It is necessary, in studying the subject of full employment under fair labor employment standards and practices and in preparing the National Budget that the effect upon such full employment and the relative efficiency of each of said forms of production be available to the President, his department heads and assistants, the joint committee, the Congress, and available for study by the people of the United States;

(c) Therefore the President is authorized and directed (1) to select, between the date of the passage of this Act and the time fixed in this Act for the transmission of the first National Budget after its passage, two Government-owned war plants; (2) to withhold the same from sale as surplus until he shall hereafter be directed by the Congress as to the disposition he shall make of them; (3) to direct any department or agency of the Government to negotiate for the sale or lease of one of said plants to a bona fide workers' cooperative which shall agree to operate the same and to transmit the terms of such sale or lease to the Congress, together with the first National Budget, so that the Congress may approve or alter the terms of such sale or lease and authorize the President or said department or agency to execute the same or reject said sale or lease; (4) to direct any department or agency of the Government to prepare a plan for the Government operation of the other for the purpose of producing consumer goods under conditions which will constitute fair competition with other producers of similar goods and transmit said plan to the Congress together with the first National Budget so that the Congress may accept, alter, or reject said plan.

DEFINITIONS

SEC. 10. The term "fair labor employment standards and practices" means employment subject and pursuant to the Fair Labor Standards Act of 1938, being the Act of June 25, 1938 (ch. 676 and the Walsh-Healy Act), being the Act of June 30, 1936 (ch. 881), and all Acts amendatory thereof or supplemental thereto and under labor practices under which no person shall be denied the right to work at any job which he or she is qualified to perform by reason of his or her skill or to hold by reason of his or her character habits, because of his or her race, creed, color, national origin, or ancestry.

SEPARABILITY CLAUSE

SEC. 11. If any provision of this Act or the application of such provision to any person or circumstance shall be held invalid, the remainder of such Act or the application of such provision to persons or circumstances other than those as to which it is held invalid shall not be affected thereby.

The CHAIRMAN. Without objection, there will appear in the record at this point the message of the President; also the reports from the departments on the bill.

(The papers referred to are as follows:)

THE WHITE HOUSE,
Washington, October 29, 1945.

Hon. JOHN McCORMACK,
House of Representatives, Washington, D. C.

DEAR JOHN: I am most anxious that the House Committee on Expenditures in the Executive Departments report out the full-employment legislation. Such legislation is of the utmost urgency and importance to the future of our Nation.

I feel sure that the people in every State of the Union are for this kind of measure and are looking to their Congress to act.

It is already 2½ months since Japan surrendered. Re-conversion of our plant to peacetime production is well along. The future is rushing toward us.

It is not enough to make a transition to temporary prosperity. We cannot repeat the mistakes made after the last war. This time we must build on a more solid foundation. We must take those steps now that will move us with firm purpose toward full employment and keep us there.

There are some who say, "Let's wait and see what happens." Such a course would be the height of recklessness. We must look ahead. If we wait for protracted mass unemployment to come upon us, we face another disaster. To no major situation has it been more applicable that "an ounce of prevention is worth a pound of cure."

It is time that the people be reassured by the Congress that the Government stands for full employment, full production, and prosperity, not unemployment and relief.

I have talked to hundreds of workers and hundreds of our veterans. These men and women who have worked and fought to defend our American institutions expect us to take the steps necessary to translate their victory on the battlefield to peacetime jobs with security and opportunity.

Full-employment legislation has the firm and complete support of my administration. The Senate has already passed such legislation and I am sure that the House will want to make its position clear to the American people at the first possible opportunity.

I do not refer to any specific bill. I refer to the general purposes and principles of full-employment legislation.

If this legislation could be reported out of committee so that it could be passed by the Congress by Thanksgiving, it would give that day particular significance for millions of American families who remember only too well the dark days of the depression, and want reassurance that we shall never again have another 1932.

Very sincerely,

HARRY TRUMAN.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington 25, March 29, 1945.

Hon. CARTER MANASCO,
*Chairman, Committee on Expenditures in the Executive Departments,
House of Representatives, Washington, D. C.*

MY DEAR MR. CHAIRMAN: Further reference is made to your letter of March 20, 1945, acknowledged March 21, requesting a report on H. R. 2202, Seventy-ninth Congress, entitled "A bill to establish a national policy and program for assuring continuing full employment in a free competitive economy, through the concerted efforts of industry, agriculture, labor, State and local governments, and the Federal Government."

A companion bill, S. 380, was introduced in the Senate January 22, 1945.

The purpose of the proposed legislation is stated as follows in the extension of remarks of the Honorable Wright Patman, author of the bill, printed at page ACS9 of the Congressional Record for February 15, 1945:

"First. It would offer every possible inducement to private enterprise to operate at a high level of activity.

"Second. It directs the President to propose annually a wide variety of measures to assist private business in offering jobs to all.

"Third. It provides for estimating the number of jobs this activity will produce.

"Fourth. Lastly, it directs the executive branch of the Government to embark upon a works program that will supply whatever jobs remain to be supplied in order to assure employment opportunities for all the able and willing.

"This is a vastly different thing from just a public-works bill. The essential difference in one respect is that this works program will be carried out by private industry under contract with the Government. More important, however, is the guaranty itself that the required investment to maintain this full employment will always be forthcoming."

Briefly, the bill provides that the President shall transmit to the Congress at the beginning of each regular session the "National production and employment budget" setting out the estimated size of the labor force of the Nation, the estimated volume of investment and expenditure required to provide full employment, and the estimated volume of actual investment and expenditure; that if it appears necessary, the President shall set forth a program for encouraging increased non-Federal investment and expenditure, in order to provide full employment; and if deemed necessary still further to increase the total investment and expenditure, the President shall propose a program for increasing Federal investment and expenditure. It is provided that the said budget shall be prepared in the Executive Office of the President under the direction of the President in consultation with the heads of departments and establishments. Provision is made, also, for the establishment of a "Joint Committee on the National Budget," composed of 15 Members of the Senate and 15 Members of the House of Representatives, to study the said budget and report thereon to the Senate and House of Representatives with its recommendations and a proposed joint resolution setting forth a general policy with respect to the said budget.

Section 8 of the bill provides:

"Sec. 8. Nothing in this Act shall be construed as calling for or authorizing—

"(a) the operation of plants, factories, or other productive facilities by the Federal Government;

"(b) the use of compulsory measures of any type whatsoever in determining the allocation or distribution of manpower;

"(c) any change in the existing procedures on appropriations; or

"(d) the carrying out of, or any appropriation for, any program set forth in the National Budget, unless such program shall have been authorized by provisions of law other than this Act.

"(e) the disclosure of trade secrets or other information, the publication of which might have a harmful effect upon the firm or person supplying such information."

Although I am deeply interested in the problem of preventing unemployment, the matter is one of policy primarily for consideration of the Congress, and is not one which directly relates to or affects my official duties. Neither does the bill, H. R. 2202, contain any special accounting provisions affecting the activities of this Office. Consequently, I have no recommendation to make with respect to enactment of the proposed legislation.

Sincerely yours,

LINDSAY C. WARREN,
Comptroller General of the United States.

DEPARTMENT OF LABOR,
OFFICE OF THE SECRETARY,
Washington 25, June 15, 1945.

HON. CARTER MANASCO,
*Committee on Expenditures in the Executive Departments,
House of Representatives, Washington 25, D. C.*

DEAR CONGRESSMAN MANASCO: You have requested the opinion of this Department on the advisability of enacting H. R. 2202, a bill to establish a national policy and program for assuring continuing full employment in a free competitive economy, through the concerted efforts of industry, agriculture, labor, State and local governments, and the Federal Government.

The objective of this bill is to commit the Federal Government to the adoption of economic policies which will maintain a volume of investment and expenditure sufficient to assure the opportunity for "useful, remunerative, regular, and full-time employment" to all Americans who have finished their schooling and who do not have full-time housekeeping responsibilities. Such economic policies

would be directed toward securing the largest possible proportion of the necessary volume of investment and expenditures from private and non-Federal sources, and toward the use of direct investment and expenditure by the Federal Government to supply anticipated deficiencies from other sources, in such a manner as to "contribute to the national wealth and well-being, and to stimulate increased employment by private enterprise."

The initial steps toward the framing of policies under the bill would be taken by the President, with the advice and assistance of the members of his Cabinet, the heads of Federal agencies, and such advisory committees as he considered necessary. He would be required to submit to Congress a national production and employment budget estimating, for the next fiscal year or longer period, the size of the labor force, the total amount of investment and expenditure from all sources, Federal and otherwise, which would be necessary to provide job opportunities for such labor force, and the total expected volume of investment and expenditure from all sources except investment and expenditure undertaken by the Federal Government pursuant to programs proposed in the Budget.

In the event the anticipated volume of investment and expenditure fell short of the estimated amount necessary to maintain full employment, the President would be required to propose in his Budget a program, including recommendations for such legislation as he might consider appropriate, to encourage expansion of private and non-Federal investment and expenditure to bring the total volume to the requisite level. If the expansion which might be expected to result from such program were insufficient to remedy the deficiency, the President would be authorized to propose programs for Federal investment and expenditure. Where such programs called for construction work, they would be required to provide for the performance of such work by private concerns under contracts awarded in accordance with existing law, unless other statutes or special circumstances required otherwise.

In the event of an excess in anticipated volume of investment and expenditure over the amount necessary to maintain full employment, the President would be directed to propose a program to prevent inflation or to reduce the prospective volume of investment so as to eliminate the excess.

Further general requirements applicable to the national budget would be the inclusion of measures to prevent interference with proposed programs by monopolistic practices and the inclusion of an estimate of distribution of the national income and of the effect thereon of the proposed programs. The President would be authorized to revise or supplement any aspect of the Budget from time to time in his discretion. He would further be directed to make a quarterly review of Federal investment and expenditure to ascertain whether any change was required in the light of the current volume of non-Federal investment and expenditure, and to direct any such change to the extent necessary to insure continuing full employment, subject to principles and standards in existing legislation.

For the purpose of studying and making recommendations with respect to the National Budget, a joint committee of Congress would be created. It would consist of the chairmen and ranking minority members of the Senate Committees on Appropriations, Banking and Currency, Education and Labor and Finance and of the corresponding committees of the House of Representatives, and seven additional members of the majority and minority parties in each House. The joint committee would have the necessary powers to act in the event of a vacancy, to summon persons and papers, to make expenditures, to acquire a staff of paid or voluntary personnel and to call on Federal departments and agencies for assistance and information. It would be required to submit to Congress, not later than March 1, its findings and recommendations and a joint resolution of policy for the ensuing fiscal year for the guidance of the committees engaged in consideration of legislation relating to the national budget.

The fiscal section of the bill would provide that the act shall not be construed to call for or require Federal ownership or operation of productive facilities, compulsory measures in the distribution of manpower, any change in existing procedures relative to appropriations, the carrying out of any program not authorized by legislation other than this act, or disclosure of trade secrets or any other information, the disclosure of which might be injurious to the person supplying the information.

This bill is a highly important piece of legislation. It proposes to deal directly, and within the general framework of a free economy with the problem of mass unemployment. This is one of the basic difficulties that has characterized mod-

ern industrial society. The hazard of mass unemployment to our social and economic institutions has grown greater than it was before World War I, because of the increase in mechanization-mass production. It is also more clearly apparent that mass unemployment is not inevitable but is largely the result of the imperfect functioning of our economic institutions. Thus H. R. 2202, which proposes "to assure the existence at all times of sufficient employment opportunities," undertakes to offer constructive support to the maintenance of a free economy.

I. EFFECT OF ASSURANCE OF CONTINUING FULL EMPLOYMENT UPON THE AMERICAN WORKERS AND THE AMERICAN PEOPLE GENERALLY

An effective program to maintain full employment by democratic methods in a free economy would do more than any other type of policy to raise the average income and the levels of living over the whole Nation. We have always believed, and our wartime experience has most dramatically demonstrated, that the tremendous productive capacity of our country is sufficient to provide all Americans with the material basis for a good life. The waste of a part of this productive capacity, involving the dissipation of the priceless energies and skills of our people in the form of unemployment, has been the most serious source of failure to achieve this goal in the past and poses the most serious single threat in the future.

Wage earners would be only one of the groups benefiting from such a program which would also assure farmers and businessmen large and profitable markets for the commodities they sell.

Full employment would not, of course, constitute the solution to all our economic problems. The national income, while large, would not necessarily be distributed in such a way as to eliminate all areas of poverty. It would still be necessary, for example, to broaden and liberalize our social security system if our citizens were to be provided an essential minimum of protection against the financial effects of interruption in normal income as a result of old age, loss of the breadwinner, temporary or permanent disability through illness or accident, and even "frictional" unemployment, which many people would experience for brief periods even under conditions of full employment. Minimum wage and maximum hour legislation, the regulation of working conditions, and the legal protection of collective bargaining would still be needed to prevent the exploitation of those who have employment. If high levels of general welfare were to be attained, it would be important also that considerable emphasis should be laid on the extension and improvement of essential public services in the fields of health, education, housing, social services, and the conservation and development of the Nation's resources.

Nevertheless, the existence of full employment and its assured continuation would make it far easier to administer programs of the types just mentioned. There would, for example, be fewer situations where the protection of minimum wage legislation would be indispensable because there would be easier opportunity of migration from those places where inadequate employment opportunity makes for substandard wages.

This would be still more true, if, as is widely believed, high levels of employment encouraged the further extension of collective bargaining. If this result should actually occur, then a larger number of wage earners would be protected against possible exploitation, and wage levels would more faithfully reflect any increases in labor productivity. This would be most helpful in bringing about the high levels of consumer expenditure necessary for full employment.

I should like, in this connection, to direct attention to the importance of the assurance of continuing full employment. It is my belief that the assurance of employment opportunity and of sustained economic activity and income would, in itself, have particularly beneficial results. If full employment were sustained over a sufficient period of time, this feeling of assurance would develop spontaneously. Many of the same benefits, however, might be attained immediately if the full employment program adopted contained an explicit commitment or guaranty that full employment would be continuously maintained. Moreover, in the absence of such guaranty the task of actually attaining full employment will be far more difficult.

A main value of such an assurance is that it could eliminate basic feelings of insecurity caused by pervasive fears of unemployment among workers. These feelings are a major source of worry and tension and a positive obstacle to the

attainment of the primary postwar objectives of full employment, growing productivity and output, and international accord.

Consider, first, the effects of uncertainty of employment on consumer expenditures. Just as businessmen will hesitate to make investments if they anticipate a shortage of markets, so also will workers be hesitant to draw upon their war savings, or even to spend liberally out of their current incomes, if in the early postwar period they face an imminent danger of unemployment. That hesitation may be greatly reduced if the worker has a real assurance that, although he may lose the particular job he now has, there will always be enough jobs available to provide employment opportunity at fair wages for all willing and capable workers. The maintenance of high levels of expenditure by workers, with the associated high levels of farm income and of business investment, will make it far less difficult to attain full employment and will reduce the need to depend upon special compensatory Government programs.

It is also certain that the assurance of full employment would allay otherwise probable group conflicts for jobs. While certain preferences can and should be given to veterans, for example, it will not be possible to protect their labor standards when they face the competition of millions of workers who have been displaced from wartime jobs unless those who have been displaced can find other employment. After the last war you will recall also the race riots that resulted in large part from the scarcity of jobs and the presence of migrant workers in industrial centers. Finally we must be concerned that prejudices with reference to the employment of women do not lead to discriminatory discharges of women who are totally dependent upon a weekly wage for their support and for the support of dependents. Many of the problems with which pending bills to prevent discriminatory hiring or to grant certain preferences in employment seek to deal become soluble if full employment is assured.

The assurance of employment opportunity could also have important effects in improving the productiveness of labor. Resistance to the introduction of technological improvements, and of simpler or more efficient methods, has sometimes resulted from understandable fears that such changes would more quickly create unemployment. Only the firm assurance that employment opportunities will remain adequate can completely allay such fears.

The elimination of this basic type of worker insecurity could also have profound effects on the worker's attitudes toward international relations. Liberal economic foreign policies, intended to expand mutually beneficial two-way and multilateral trade, encounter resistance if there is widespread fear that the admission of imports will create chronic unemployment. Unreasonable and discriminatory restrictions on immigration, and aggressive attempts to capture and hold exclusive export markets or areas of influence abroad, may have a similar origin. On the other hand, I have been much impressed with the frequently repeated assurance of trade-union leaders that they will not have to seek high tariffs, merely to protect existing jobs, if other work is available for those who may be adversely affected by any particular adjustment of tariff rates. Once given the assurance that there will always be enough jobs, the American people will feel free to express in concrete ways their strong natural sentiment of friendliness and helpfulness to other peoples. It is upon the liberation of this great constructive force of mutual friendship and good will that our high hopes for improved international relations and enduring peace much chiefly rely.

II. POSSIBLE ROLE OF THE DEPARTMENT OF LABOR IN HELPING TO ACHIEVE CONTINUING FULL EMPLOYMENT

The Department of Labor would have two different kinds of functions to perform. There are first of all certain administrative functions that are now, or presumably will be, performed by the Department of Labor or may be assigned to the Department by congressional action. These include:

1. The United States Employment Service—now part of the War Manpower Commission—would have the role of reducing frictional unemployment by bringing together workers and job openings. Of particular importance would be the facilitation of transfers from one type of work to another or from one area to another, for even under conditions of full employment we must look forward to the birth and death of specific job opportunities. This agency would certify eligibility for unemployment compensation. I have pointed out on other occasions that the Employment Service should become again a part of the Department of Labor after the war.

2. Functions of training and retraining: The Federal Committee on Apprentice Training will presumably return to the Department of Labor from the War Manpower Commission. I would also suggest that there should be coordination of all training activities within the Government, preferably in the Department of Labor. This coordination would be similar to the type of coordination which has been provided for the immediate future by the establishment of the Office of the Administrator of Reemployment and Retraining.

3. Facilitating the settlement of industrial disputes: The function performed by the Department of Labor through the Conciliation Service is important at all times. Under conditions of full employment it will be especially so, for at such times the loss of production through a stoppage of work has more important repercussions than does a stoppage when there is more slack at other points in the industrial system.

The problem of maintaining harmonious industrial relations will be made easier to the extent that it will not be necessary to face demands for the deflation of wages. Strikes against wage reductions demanded at the beginning of a depression are always among the most difficult to handle.

On the other hand, under conditions of full employment, it will be necessary to exercise great statesmanship to prevent the formulation of demands that would have inflationary consequences if granted. The major task of those responsible for labor relations should be to secure as rapidly as possible the increases in real income made possible by technological advances, while avoiding such premature or exaggerated demands as would result in price increases.

The Department should be in a position to offer advisory services to prevent the development of disputes and should conduct such researches as are necessary to implement this advisory service. The Conciliation Service will continue to be the principal instrument to assist in settling disputes.

Presumably the wartime machinery for mediation and arbitration will be extensively modified after the war is over. More extensive provision for mediation than existed before the war could well be made in the Department.

4. The collection of statistical information on employment.

This work is now being performed by the Bureau of Labor Statistics and includes—

(a) Maintenance of statistical measures of nonagricultural employment, classified by industries, by States, and by areas within States for use in administering the act; also measures of hours of work and average hourly and weekly earnings, classified by industries nationally, and, wherever possible, by States and by areas within States.

(b) Estimation of employment that would be created by various amounts of expenditure for various purposes.

The monthly survey of the labor force, which was transferred by Executive order from the WPA to the Bureau of Census, should be closely integrated with this work.

In addition to having definite administrative responsibilities, the Department of Labor would have certain advisory functions. These arise from its Organic Act. The purpose of the Department of Labor is "to foster, promote, and develop the welfare of the wage earners of the United States, to improve their working conditions, and to advance their opportunities for employment."

Because of this broad purpose, the Department of Labor has a unique interest in the operation of the national budget. It should—

(a) Evaluate changes in the size and composition of the labor force, for purposes of defining the employment objective, and estimation of future changes in the labor force.

(b) Analyze the effects on employment of current and projected Federal policies that "directly or indirectly affect the level of non-Federal investment and expenditure," especially policies in the fields of wages, working conditions, and social security.

(c) Evaluate various forms of Federal expenditure from the standpoint of their contribution to the welfare of wage earners, in the interests of avoiding wasteful forms of expenditure prejudicial to continued implementation of the full employment program.

In performing these functions the Department would be acting as an adviser to the President and to the Bureau of the Budget who would be responsible for formulating the national production and employment budget, and would assist the Joint Committee on the National Budget, at its request, in the performance of its functions under the proposed bill.

III. DEPARTMENT OF LABOR ESTIMATES AS TO POSTWAR ECONOMIC SITUATION AS A BASIS FOR ITS PLANS FOR POSTWAR ACTIVITY

The Department of Labor, in making its present plans, is not assuming any particular postwar level of gross national product, national income, and employment. The desirability of full employment is recognized. It is clear, furthermore, that heavy unemployment would place a severe strain on virtually all Government agencies operating in the field of labor and labor relations, rendering the successful performance of their functions extremely difficult. On the other hand it is anticipated that, even under ideal conditions of prosperity, the activities and personnel of the Labor Department will require expansion in the postwar period.

The Bureau of Labor Statistics has endeavored to determine what level of postwar national employment is visualized by present business opinion as shown by estimates for individual companies and industries in the various segments of our economy. The Bureau has made two summaries of postwar employment expectations. One summary is based on judgments obtained by Bureau representatives through field interviews with employers in various branches of industry and with labor leaders who through long experience in contract negotiations have become intimately familiar with their particular industries. The second summary is based on judgments made available to the Bureau by a number of agencies. Among these agencies were Committee for Economic Development community committees, United States Bureau of Agricultural Economics, United States Bureau of Mines, and Bureau of Railway Economics.

The first summary of postwar employment expectations for the second year after the defeat of all Axis Powers totaled 48,284,000 civilian jobs. The second summary totaled 50,201,000 civilian jobs for a comparable postwar year.

Underlying the first estimate were the following assumptions: (1) Postwar stability of the "general" price level. (2) A workweek in each industry approximately equivalent to that of 1939 or 1940. (3) No abnormal program of public works to create jobs. (4) War with Japan to last a year longer than the war with Germany. (5) Export trade about the same proportion of the value of goods produced in the United States as in 1939. Underlying the second summary were assumptions (1), (2), (3), and (4) above, but in place of (5) was an assumption of more foreign loans than in 1939 and a larger proportion of the value of all goods produced in the United States going into export trade than in 1939. In this one study Bureau of Labor Statistics investigators insisted on the assumption of merely a normal export trade with no special assistance. This resulted in a lower estimate of employment in the heavy goods manufacturing industries than businessmen left to their own hunches are inclined to make. (Differences in assumption (5) accounted, however, for less than half of the difference between the two estimates.) Businessmen do not know what devices will be used to finance export trade but they see the need for reconstruction abroad and think that more than normal exports will be made.

Present expectations of employers will change as conditions change. With regard to present expectations the summaries referred to suggest two conclusions as follows:

1. Employers are thinking ahead; many of them have firm intentions to commit large amounts of capital to fixed postwar investments; few employers are so pessimistic as to think that postwar employment will be as low as or lower than the prewar level.

2. There is little evidence, however, that businessmen's present postwar plans add up to full employment.

Employment and corresponding gross national product and national income for 1930, 1940, 1941, 1942, 1943, and 1944 were as follows:

	1930	1940	1941	1942	1943	1944
Employment (annual average, in millions):						
Civilian	4.1	46.3	49.1	52.1	52.4	51.8
Armed forces	.3	.6	1.6	3.9	9.0	11.4
Gross national product (billions of dollars)	88.2	97.1	119.6	152.1	186.5	198.7
National income (billions of dollars)	68.9	77.6	96.9	121.6	147.9	160.7

¹ Preliminary.

Assuming present prices, a gross national product corresponding to a 50,000,000 level of postwar civilian employment, with say 2.5 million in the armed forces, would amount to about \$160,000,000,000. The corresponding national income would be in the neighborhood of \$130,000,000,000 or \$135,000,000,000. With the same armed forces and an additional 7 or 8 million persons employed in civilian pursuits, gross national product and national income could be expected in a few years to reach or surpass 1944 levels.

IV. SPECIFIC CRITICISMS AND PROPOSALS WITH RESPECT TO PROVISIONS OF H. R. 2202

The machinery suggested for formulating the program to maintain full employment seems to me to be appropriate. The task of maintaining full employment is one that calls for joint and harmonious action by the executive and legislative branches. It also is evident that any bill to assure full employment would be inadequate if it did not make provision for the ultimate use of Federal fiscal policy, other measures failing.

I should like, however, to make certain specific suggestions concerning the provisions of this bill.

An effort is to be made through the enactment of H. R. 2202 to create an economic environment in which there may be full employment coupled with freedom of action for businessmen and workers and free choice by consumers. The power of the Federal Government is intended to be used only at a few strategically important points and is not intended to be used to regulate economic activity in detail.

There may, it seems to me, be too great an emphasis upon the creation of employment as such and not enough emphasis upon the creation of demand for useful goods and services, which in turn will result in productive employment. This is especially important in this country where our experience teaches us that not all made work is useful work. I think we must assume that people in the United States want all paid employment to result in useful products and that they do not want useless or nearly useless public employment when people lack food and clothing. There has always been, therefore, a stubborn reluctance to endorse public works expenditures without limitation.

H. R. 2202 visualizes the use of many devices to achieve its objective. There is no implication that it may require unlimited Federal expenditures for public works that are restricted to fields that will not compete with private enterprise. On the other hand, the declaration of policy may be regarded as somewhat ambiguous on this point. It might clarify this matter if section 2 (b) of the declaration were changed "to assure the existence of a sufficient volume of demand for useful goods and services, at reasonable levels of costs and prices, to enable all Americans * * * to experience the opportunity of useful * * * employment," rather than "the existence at all times of sufficient employment opportunities."

While effective demands will call forth production and production is possible only if men and women work, and it may be desirable to give specific assurance of jobs, it would seem to me that it would be equally desirable to give specific assurance that the jobs will be associated with useful work. While it is usually clear that, if demand can be kept up, useful work will result, it is not always so clear that, if jobs are created, they will always be useful.

My criticism of section 2 (d), (e), and (f) is more substantial. These paragraphs may be said to constitute the core of the entire bill. I believe that a maximum of reassurance should be given by the language of the bill itself. The opening words of section 2 (d), however, promise so much that their import may be lost when read in conjunction with section 2 (e). Section 2 (d) reads: "In order to assist industry * * * in achieving continuing full employment." It would be better, it seems to me, to say, "In order to encourage the highest feasible levels of employment opportunity in private enterprise."

Such a change of words would make a limited change in the meaning but would seem to me to give stronger affirmation to the congressional intent than the formulation of an objective that may not be attainable.

In this connection, it may be noted neither section 2 (d) nor 2 (e) deals explicitly enough with the means to be used to achieve full employment. In order to correct possible misinterpretations of how the bill might be administered, I think it would be necessary to deal with three matters that are not covered in section 2 (d). These are:

(a) Explicit recognition of the intent to use "Federal investment and expenditure (which may be interpreted to mean public works) as a final device for balancing out a full employment economy. In particular, there should be recognition that Federal intervention in the form of the maintenance of consumer demands through the remission of taxes or other appropriate means will be a possible way of supporting private enterprise markets.

(b) Direct expression of congressional intent with reference to the balancing of the Federal Government Budget. It would be well after referring to encouraging employment opportunity in private enterprise, to include some such clause as—"while at the same time minimizing the necessity for deficits in the Federal Budget."

(c) In later sections of the bill provision is made for the contingency of inflation. There may be times when it will be necessary to take drastic measures to prevent inflation and they should be recognized in the statement of policy.

The modifications of the declaration of policy that I have suggested, when explicitly recognized, also suggest certain modifications of procedure. I believe that reliance on public works expenditures should not be as great as the language of the bill may suggest. If the amounts of expenditure needed in any one year were large, it would be far more sensible to remit taxes that reduce individual consumer buying power than to continue to collect as much as were collected in the past and then to continue to spend more than had been originally planned for public works.

Furthermore, it should be made clear that a perpetually unbalanced Budget is not a *sine qua non* of full employment. There should be recognition of the difference between using the Federal Budget over short periods of time as a stabilizing device to prevent at one time deflation and, at another, inflation; and a Budget in perpetual deficit. Our aim should be to avoid the need for deficits by taking appropriate long-run measures.

In line with these comments, I would suggest rewording paragraphs (d), (e), and (f) of section 2, as follows:

"In order to encourage the highest feasible levels of employment opportunity in private enterprise while at the same time minimizing the necessity for deficits in the Federal Budget and guarding against the possibility of inflation, the fundamental policy of the Federal Government, with respect to the manner in which full employment is to be achieved, is—

"(1) To utilize to the maximum extent such measures for promotion of private employment as do not involve Federal expenditures or tax reductions other than those Federal expenditures or tax reductions which have been independently approved without reference to the current employment situation.

"(2) To provide assurance that in case additional Federal expenditures or tax reductions are required to supplement total demand in order to maintain full employment, maximum emphasis will be placed on expenditures or tax reductions that will enlarge the general private demand for goods and services produced by private enterprise, so that the need for supplementary public works, and for subsidies to particular industries, will be minimized.

"(3) If necessary for full employment in spite of the encouragement to private employment afforded by the foregoing measures, to provide supplementary employment on Federal or on Federal-aided public works including nonconstruction projects.

"(4) To provide assurance that additional Federal taxes, or other measures to hold down the total demand for goods and services, will be applied if necessary to prevent excessive demand and price inflation."

The Bureau of the Budget advises that it has no objection to the submission of this report.

Sincerely yours,

FRANCES PERKINS.

EXECUTIVE OFFICE OF THE PRESIDENT,

BUREAU OF THE BUDGET,

Washington 25, D. C., April 6, 1945.

HON. CARTER MANASCO,

United States House of Representatives.

MY DEAR MR. MANASCO: Senator Wagner requested my comments on several questions which he raised in connection with S. 330, a bill to establish a national policy and program for assuring continuing full employment in a free com-

petitive economy, through the concerted efforts of industry, agriculture, labor, State and local governments, and the Federal Government, that corresponds to H. R. 2202, on which you asked my views in your letter of March 20, 1945.

I am sending you a copy of my reply to Senator Wagner which I hope will serve your purpose.

Very truly yours,

HAROLD D. SMITH,
Director.

(Enclosure.)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D. C., April 4, 1945.

HON. ROBERT F. WAGNER,
United States Senate.

MY DEAR SENATOR WAGNER: I have your letter of March 3 in which you ask for preliminary comments on four questions related to S. 380, a bill to establish a national policy and program for assuring continuing full employment in a free competitive economy, through the concerted efforts of industry, agriculture, labor, State and local governments, and the Federal Government. I have expressed my sympathy with the general objectives of the full employment bill in a letter to Senator Murray of January 4, a copy of which is enclosed. This bill raises questions of great importance for our Government and the people, and I am glad that you have given me an opportunity to discuss the questions posed in your letter.

You requested preliminary comments on your questions. I should like to emphasize, indeed, the preliminary and incomplete character of my answers. A full exploration of the questions raised by your letter was not possible within the short time available.

Question No. 1.—If we were assured of continuing full employment after the war, what might the effect be on the sectors of our economy with which your agency is concerned?

If governmental and private programs succeed in achieving full employment, many of the Government's most difficult problems would become more manageable. Government programs which contribute to assuring full employment have social implications very different from those which are required to relieve unemployment and economic distress. Full employment means an expanding economy, increasing opportunity, and rising incomes. Unemployment and non-utilization of resources mean that pressure groups struggle for larger slices of a smaller-sized pie. Democratic government will face grave problems—domestic and international—in the period of postwar reconstruction. The prospects of their solution are the brighter if our policies promote full employment rather than struggle with the task of mitigating the evils of unemployment. If full employment is assured by means of maximum private activities, certain expenditures of Federal, State, and local governments could be avoided or reduced.

To be more specific, with full employment, unemployment compensation can take care of the period between jobs; emergency measures to relieve general unemployment would not be needed. Full employment would not remove the need for expanded social-security programs but would make the attainment of adequate social standards more feasible. The reabsorption of veterans into civilian employment can be accomplished with less friction if we have full employment than under conditions of mass unemployment. Full employment brings with it a high demand for agricultural products and, consequently, the need for farm price support and programs for the disposal of surplus farm products would be reduced or eliminated. A policy of promoting competition and lower prices to consumers can be better pursued when business expects to make profits in expanding markets. Under conditions of full employment opportunities, labor will enjoy a higher standard of living and will be more willing to abandon restrictive practices. Servicing the national debt will be easier with a high than with a low national income. State and local governments will be better able to discharge their responsibility in the fields of education, health, and other services. A full employment national income provides a broad tax basis from which the Government can raise tax revenue with the least hardship to the taxpayer.

On the other hand, it must be recognized that a full employment policy means news peacetime responsibilities for business, labor, agriculture, and Government. Full employment does mean that the Government must watch possible upward pressures on prices and wages which may conflict with the requirements of economic stabilization. The responsibilities of Government in maintaining a stable price level will depend very largely on the willingness of business, agriculture, and labor to assume their share in the responsibility for a general policy of economic stabilization.

The Bureau of the Budget is not directly concerned with any one sector of the economy. It has responsibilities with respect to all agencies of the executive branch of the Government and is, therefore, concerned with the economy as a whole. I feel sure that its responsibilities could be much more effectively met if the policy of the Government resulted in full and stable employment than if we were plagued by periods of mass unemployment.

Question No. 2.—If S. 380 were enacted by the Congress, what might be the role of your agency in helping achieve continuing full employment?

The full employment bill obliges the President to transmit to Congress a "national production and employment budget ('national budget')." The President shall include in this national budget:

Statistical estimates and forecasts.

A program of Federal policies and activities designed to encourage increased non-Federal investment and expenditures or a program of anti-inflationary measures.

Programs of Federal investment and expenditures.

The bill does not say explicitly which agency shall prepare the national budget for the President. It states, section 4 (a), that: "The national budget shall be prepared in the Executive Office of the President under the general direction and supervision of the President * * *" and that, section 4 (b): "* * * the several departments and establishments * * * [shall] prepare such plans and programs as may be needed * * *." Thus the bill implies that the national budget, including the estimates, policies, and the programs of investment and expenditures, is to be prepared in the Executive Office of the President on the basis of recommendations and estimates supplied by the various departments and establishments. The bill leaves it to the President to assign the responsibility for this work.

The coordinating functions now performed by various agencies in the Executive Office, including the Bureau of the Budget, are similar to the coordinating responsibility placed upon the Executive Office under this bill. Under present practices, the Bureau of the Budget would have to assist the various operating agencies in planning those administrative and statistical functions that are required by the full employment bill. The bill would, I believe, have the effect of intensifying, enlarging, and making mandatory certain of the functions already being performed in the Executive Office. The President has emphasized in Budget messages and other addresses the need to develop a coordinated approach to the problems of economic policy. I think it is wise for Congress to define the coordinating job to be done and to permit the President to work out, with respect to the formulation of an integrated program, the particular assignment of functions within the Executive Office.

I shall discuss in the subsequent paragraphs the functions of the Executive Office of the President under the full employment bill, irrespective of the specific agency or agencies in the Executive Office which will be charged with these responsibilities.

Statistical estimates and forecasts.—The bill contemplates that the President shall transmit, under section 4 (b), to the several departments and establishments preliminary estimates and other information that will enable them to prepare their own plans for submission to the President. I take it that this procedure calls for a communication similar to that which the Bureau of the Budget sends out for the President in July of each year, giving the agencies general directives for working out their own budgetary requests. I assume that section 4 (b) relates not only to the preparation of policy and programs, but also to the preparation of estimates of the national budget.

In preparing the estimates and forecasts required by the bill, the Executive Office of the President should make full use of all the data and information available in the various agencies and establishments of the Federal Government

and State and local governments, and also in private organizations of consumers, business, labor, and agriculture. It seems to me essential that there should be a widespread understanding throughout the country of the estimates that go into the national budget, and that all interested groups inside and outside the Federal Government should have an opportunity to contribute to these estimates. Enlightened economic policy by the Government depends largely on an informed public opinion. By making groups throughout the country aware of the problems involved in formulating the Nation's budget, the Federal Government can contribute greatly to this process of enlightenment.

I am attaching in an appendix a sketch of a possible procedure for the compilation of the statistical estimates and forecasts. This is a staff memorandum submitted merely as an illustration of how various Government agencies and interested groups of the population could be drawn into the formulation of estimates for the national budget. (With reference to the statistical programs, see the staff memorandum of February 6, 1945, which I submitted to Senator Murray on February 14, 1945. A revised version of that memorandum is attached to this letter.)

A program of Federal policies and activities designed to encourage increased non-Federal investment and expenditures or a program of anti-inflationary measures.—In case the prospective total of expenditures by business, consumers, and government falls short of the total required for full employment, the Federal Government under the bill is obliged to propose programs that would stimulate private investment and increased consumers' expenditures. Contrariwise, when such expenditures are expected to exceed the full employment level, an anti-inflationary program is to be developed.

The policies and programs enumerated in the bill which fall in this area include banking and currency, monopoly and competition, wages and working conditions, foreign trade and investment, agriculture, taxation, social security, and the development of natural resources. Policies in these various fields and others would have to be combined in such a manner as to accomplish as much of a desired additional expansion in private expenditures as possible. Industry, labor, agriculture, and other groups and individuals will have an opportunity to make suggestions to the department concerned. These, in turn, will analyze the suggestions and pass their recommendations on to the Executive Office. The President, assisted by his staff in the Executive Office, would integrate the policy recommendations submitted by the various departments and establishments under the provisions of the bill. Before transmission to Congress, these recommendations would thereby be tested for consistency and completeness.

The function to be performed by the Executive Office under this bill is similar, particularly in its procedural aspects, to the legislative reference function performed by the Bureau of the Budget under present practice. The experience gained by the Bureau of the Budget, as well as by agencies such as the Office of Economic Stabilization and the Office of War Mobilization and Reconversion in coordinating wartime programs, will be useful in devising the coordinating procedures required under the full employment bill.

Programs of Federal investment and expenditures.—The development of Federal investment and expenditure programs under the bill would, no doubt, require the use of many existing budgetary procedures and the expansion and redirection of others. The bill provides that the President shall submit the National Budget at the beginning of each regular session of Congress. I think it wise that the bill does not limit the period covered by the National Budget to a fiscal year. It is especially important that the policies and programs recommended in the National Budget be outlined each year for a period considerably longer than the ensuing fiscal year. A procedure for long-range planning, at least in the field of public works, was first established on the basis of the Employment Stabilization Act of 1931. More recently it was the objective of Executive Order No. 9384 to establish a procedure under which the Director of the Budget was to submit to the President an over-all advance program of public works and improvement projects prepared by the various agencies for a period of several years.

Full employment policy, if it is to be fully implemented, requires the development of long-range programs in all fields in which governmental action is deemed to be appropriate. Flexible long-range programs in the field of developmental expenditures must serve as a background for the determination of an annual budget of investment and expenditures that takes account of the possible deficiency in the National Budget and the expected success in stimulating non-Federal expenditures. The Executive Office and the various departments and agencies

would have to prepare and revise such programs on a continuing basis for submission by the President to the Congress.

With long-range programs outlined in advance, annual determinations as to the scope and content of the Federal expenditures program for shorter periods would fall into proper focus.

Under section 6 (a), the bill calls for a quarterly review of Federal investment and expenditures in the light of revised estimates of non-Federal investment and expenditures. This provision calls for a continuous appraisal by the Executive Office of the factors entering into the National Budget so as to permit revisions in the light of current trends. Such an appraisal would presumably be made on the basis of statistical and other information collected by the various operating agencies and submitted to the Executive Office. Action taken by the President to vary the rate of expenditures within the limits prescribed by Congress, as authorized under section 6 (b), would thus be designed to meet current developments. In this connection, it may be noted that the method of quarterly apportionment combined with the reporting procedure under Executive Order 8512 could provide the President with the fiscal controls necessary for the implementation of section 6 (b).

Question No. 3.—In the present planning of your agency's postwar activities, what assumptions, if any, have you made with regard to the postwar level of the gross national product, the national income, and employment?

The Bureau has not made any single assumption as to postwar level of the gross national product, the national income and employment. It has, however, attempted to develop certain goals and to delineate the range of possible developments which should be envisaged in planning Federal activities.

The work of the Budget in preparing the Federal Budget normally calls for estimates of expenditures for a fiscal year ending 18 months ahead. Revenue yields and certain expenditure items such as aids to agriculture and unemployment relief depends on the level of national income. The Bureau, therefore, has found it necessary to make estimates of income and employment for the period covered by the Budget for the ensuing year.

However, to perform its functions adequately, the Bureau cannot confine its attention merely to the period covered by the Budget. It is necessary to make various hypothetical estimates for several years in advance. Such estimates have been attempted both for the transition period and for a typical postwar year.

These estimates are of two types. In the first place, estimates have been made of what may be termed income and employment goals for the next few years. These estimates are similar to those required under section 3 (a), (1) and (2) of the bill. During the transition period these goals are necessarily something other than what might be regarded as full employment in a normal year. During the transition there will necessarily be large-scale shifting of jobs, and this will mean that unemployment will necessarily be greater than it needs to be when the labor force is distributed according to the requirements of peacetime production.

The second type of estimate consists of projections of national income and employment under various assumptions as to future congressional action with respect to expenditure programs, tax, and other policies. Alternative assumptions also were made concerning the rate of private capital formation. These projections are similar in nature to those required under section 3 (a), (3) of the bill, but resulted in various alternative sets of estimates of income and employment. Though furnishing some indication of possible deviation of the national budget from what is required for attaining full and stable employment, they do not constitute any definite forecast as to the postwar level of income and employment.

Question No. 4.—What specific improvements in S. 380 might be considered by the Banking and Currency Committee?

I have already expressed my sympathy with the objectives of the full employment bill. My comments are largely concerned with details. Section 2 makes a commendable effort to define specifically what is intended to be regarded as full employment. I feel, however, that the formulation could still be improved.

Section 3 (a) and (f) specifies in considerable detail the estimates and information which the President shall include in the national budget for transmission to Congress. I recognize that the details called for are formulated in the light of the best available technical knowledge at the present time. The specific provisions in the statute may, however, become a handicap in the future when experiences may suggest a somewhat different form. Particularly, I propose that in the first paragraph of section 3 (a) the words "which set forth in summary and detail" be changed to read: "which set forth in summary and such detail as the President deems necessary * * *."

Section 3 (c) has been frequently misinterpreted as proposing that Federal investment and expenditure programs should be determined simply by the need for making up deficiencies in the national budget. The wording of the second sentence of section 3 (c) (p. 6, lines 6 to 9) should dispel such misinterpretation. I suggest that the bill give a fuller expression to the intention that the Federal investment and expenditure programs be determined on the basis of their intrinsic merits, that is, their contribution to the "national wealth and well-being." The timing of these expenditures—the amount to be spent in any particular year—should be determined with consideration given to expected deficiencies in the national budget. This distinction between the long-range aspect of Federal expenditure and investment programs on the one hand, and the timing of these expenditures in view of economic necessity, on the other hand, could be emphasized in the bill if it includes a special paragraph dealing with the long-range aspect. Such a paragraph could provide that the President make recommendations for enabling legislation and also recommendations for a long-range public works and developmental expenditure program. This paragraph might precede the present section 3 (c). In this case, in the second line on page 6, after "Federal investment and expenditures," add the words: "authorized by existing law or by legislation as proposed in the preceding section."

Section 3 (c) has also been misinterpreted as suggesting that full employment really is to be accomplished by additional Federal expenditures and that only lip service is paid to the various policies enumerated under 3 (b). The true intent of the bill could be expressed more unequivocally by adding the words: "in combination with the other measures recommended in the national budget" after the words "as will be sufficient," on page 6, line 2. I also wonder whether it might not be appropriate to insert the word "deemed" before the word "sufficient" on page 6, line 2.

The last sentence in section 3 (c) might be interpreted as indicating that the bill considers public works construction programs as the most important item in the Federal investment and expenditure programs. If this is not the intention, the text might be clarified by referring also to other than public works expenditures in the same paragraph.

The bill places considerable emphasis on planning Federal expenditures as a means to promote full employment. Tax policy is mentioned only as one of the various policies enumerated by way of illustration in section 3 (b). I wonder whether it would not be desirable to give greater emphasis to the effect that tax policies may have on employment.

Very truly yours,

HAROLD D. SMITH, *Director*.

APPENDIX

A POSSIBLE PROCEDURE FOR THE DEVELOPMENT OF ESTIMATES FOR THE NATIONAL BUDGET UNDER S. 380

Section 3 (a) of the full-employment bill requires two main types of estimates: (1) the volume of aggregate expenditures required to produce full employment; and (2) the prospective volume of expenditures, not taking into account any increased or decreased investment or expenditures which might be expected to result from the programs set forth in the budget.

The procedure for preparing these estimates should assure that all available information of the agencies of the Federal Government, of State and local governments, and of private organizations be utilized. It is also essential that the procedure be kept as flexible as possible so that revised estimates can be made available to Congress whenever changing conditions require.

A first tentative summary of the two types of estimates to be included in the national budget would be prepared in the Executive Office of the President in consultation with experts from a few Federal Government agencies particularly

concerned with over-all projections, such as the Department of Commerce, the Department of the Treasury, the Department of Labor, the Department of Agriculture, and others.

The summary statement would then be broken down into its component parts. With the aid of research facilities available in such agencies as the Departments of Commerce, Labor, and Agriculture, estimates of such details would be made which are implied in, and are consistent with, the over-all estimates prepared in the first round. It would be shown, for example, with respect to the goal as well as to the projections, what amount of residential construction, automobile production, railroad transportation, what wage developments, hours of work, exports, and imports are implied in the over-all estimates.

These detailed estimates would then be used as a basis for discussion with experts outside the Federal Government in industry, agriculture, labor, finance, State and local governments, and other fields. They would be asked to comment on the estimates for those specific fields with which they are mainly concerned. Contact with industrial experts, for instance, would be established through the Department of Commerce, with labor experts through the Department of Labor, with agricultural experts through the Department of Agriculture, etc. These departments would analyze the comments made by these various nongovernmental experts. A similar method would be used for contacting State and local governments, through an agency designated for this purpose. Utilizing these comments and analyses, a revised draft of the over-all projections would be prepared in the Executive Office of the President, again in consultation with the experts of the Federal agencies particularly concerned. Thus the final revised set of national budget goals and projections would be developed for submission to the President.

The procedure for compiling these estimates would have to start probably in July or August in order to have the final estimates available in December as material for the national budget to be transmitted by the President.

The bill provides, section 3 (g), for supplemental or revised estimates whenever necessary. Therefore, the projections included in the estimates should be currently reviewed for possible revision. The agencies should be in frequent contact all through the year with the non-Federal experts who have checked the original estimates. They should bring to the attention of the Executive Office any revision that might become necessary. In the Executive Office certain over-all indexes of economic development should be watched in order to detect changes in business conditions.

EXECUTIVE OFFICE OF THE PRESIDENT,

BUREAU OF THE BUDGET,

Washington 25, D. C., January 4, 1945.

HON. JAMES E. MURRAY,

United States Senate.

MY DEAR SENATOR MURRAY: I have looked over the draft of the proposed full-employment bill which your War Contracts Subcommittee has released for discussion purposes. The bill approaches in a constructive manner problems which I believe will be high on the agenda for national discussion for considerable time to come. If we are to have full employment, some way must be developed to dovetail private enterprise and Government activities. I am glad to see that your bill does emphasize this basic principle.

Discussion of the proposed bill will, I am convinced, substantially contribute toward a clearer understanding of the problem, and I shall follow the discussion with great interest. In the meantime, progress toward this objective can and must be made even before the full task envisaged in your bill is included in legislation.

I have no comments on the specific administrative and legislative arrangements proposed in the bill.

Because of the pressure of work at this time of the year, we have not yet been able to prepare for you a review of governmental statistics available and required for your proposal. I hope to be able to do so after the turn of the year.

Very truly yours,

HAROLD D. SMITH, *Director.*

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington 25, D. C., February 14, 1945.

HON. JAMES E. MURRAY,
United States Senate.

MY DEAR SENATOR MURRAY: In further reply to your recent letter concerning your draft of the Full Employment Act of 1945, I am attaching a staff memorandum to answer your question as to what extent the various statistical activities of the Government now provide the basis for estimating future expenditures by consumers, business, and State and local governments, and what efforts are now being made to develop a comprehensive system of estimating future expenditures.

Very truly yours,

HAROLD D. SMITH, *Director.*

(February 6, 1945. Revised March 20, 1945)

THE PROBLEM OF ESTIMATING FUTURE EXPENDITURES BY CONSUMERS, BUSINESS, AND STATE AND LOCAL GOVERNMENTS

I. ESTIMATES OF FUTURE EXPENDITURES BY PRIVATE ENTERPRISE, CONSUMERS, AND GOVERNMENT

National income and expenditures have been projected into the future by both Government and private agencies during several decades. The Treasury Department has to anticipate changes in the incomes of individuals and corporations and also in expenditures for taxable products when estimating prospective Federal revenue. The Bureau of the Budget in estimating expenditures, say, for relief, had to estimate future industrial activities. The agricultural program of the thirties had to take account of prospective business conditions and future developments of national income in setting agricultural prices and production goals. The Social Security Board, similarly, has to anticipate changes in national income and national expenditures in preparing its estimates of social security receipts and payments.

Since the twenties, many private enterprises and private research institutions have also developed estimates of current and prospective changes in national income and expenditures as a guide for business management.

The technique of projecting national expenditures and income has been greatly developed during the war, particularly for planning fiscal policies, and price- and wage-control measures necessary to hold down the inflationary pressure resulting from huge war expenditures. Similarly, several Government and private agencies are engaged now in predicting the effect which a future cut in war expenditures may have on future demand for goods and services.

Estimates of aggregate expenditures in the transition and postwar period have been made by such private agencies as the National Planning Association, the Twentieth Century Fund, the National Bureau of Economic Research, the Committee for Economic Development, Fortune Magazine, and a number of firms engaged in investment counseling. Government agencies participating in experimental work of this character are: Department of Commerce, Department of the Treasury, Department of Agriculture, Office of Price Administration, Bureau of Labor Statistics, Board of Governors of the Federal Reserve System, Interstate Commerce Commission, and the Bureau of the Budget. Congressional committees have also expressed an interest in the estimate of probable national income and expenditures of the postwar period. Congressman Doughton, chairman of the Joint Committee on Internal Revenue Taxation, stated on the floor of the House on June 23, 1944: " * * * The first step necessary in the formulation of any postwar program is the determination of the probable national income, the national gross output, and the expenditures during the postwar period. * * *"

There is substantial agreement in the general conclusions derived on the basis of these various projections. This may be partly due to the fact that the economists of the Government agencies and also of several private agencies have been using the same methods of analysis. What disagreement there is is mainly due to (a) differences in assumptions, for instance, concerning the duration of the war or legislation expected to be enacted; (b) differences in interpolations and extrapolations where gaps in statistical information exist, as, for example, with respect to productivity or savings habits.

II. METHODS USED IN ESTIMATING FUTURE EXPENDITURES BY PRIVATE ENTERPRISE, CONSUMERS, AND GOVERNMENT

The full-employment bill of 1945 requires two types of estimates of future expenditures: (1) the full-employment level of expenditures by private enterprise, consumers, and government; (2) prospective expenditures by private enterprise, consumers, and government, not taking into account any increased or decreased investment or expenditures which might be expected to result from additional full-employment programs of the Federal Government. The following paragraphs describe briefly the general approach of such estimates without going into the technical details of the various methods used.

1. Estimates of the full-employment level of expenditures

The first step is to estimate the size of the labor force that will be employed or seeking employment in the year for which the estimate is to be made. This involves taking into account the natural increase in the labor force from year to year, the extent to which the abnormal increases during the war will be offset by withdrawals from the labor force in the postwar period, and the amount of frictional unemployment that should be allowed for. An estimate is also required of the anticipated size of the armed forces.

The second step consists in estimating the average productivity of labor in, say, 1944 prices. This estimate is usually based on the productivity in our prewar plant, allowing for developments which have taken place with respect to physical equipment and technological knowledge during the war period and for developments expected to take place in the postwar period. On the basis of the size of the civilian labor force, anticipated hours of work, and the expected productivity, with allowance for pay of the armed forces, it is possible to estimate the gross national product or aggregate expenditures that reflect full employment.

A number of estimates have been made which not only give an aggregate full-employment gross national product for the transition and postwar period, but which also present hypothetical distributions of this product among the component parts of aggregate expenditures.

2. Estimates of future expenditures, not taking into account new full-employment programs

Estimates of future expenditures of business, consumers, and governments take the most current data as a point of departure. As a first step, a survey is made of imminent changes in government programs, business plans, and consumers' intentions (particularly with respect to intended purchase of durable goods) which indicate what changes are expected to take place in the subsequent period. This survey is designed to cover changes in public and private expenditures which could be expected if business conditions remain unchanged.

These changes in government and private expenditures will be reflected in corresponding changes in gross national income. Taking account of taxes and accumulation of business reserves, it is possible to estimate the corresponding change in the disposable income of consumers.

The third step consists in estimating the changes in consumers' expenditures which will result from this change in disposable income.

These three steps give a first approximation to the aggregate expenditures of government, business, and consumers. Changes in government programs and private investments are estimated in the first step, however, without regard to such changes as are expected to result from a change in general business conditions. Only now, after the first round of estimates has given a tentative indicating of changes in business conditions, is it possible to estimate the effect of this change on business investments and certain government programs which are influenced by business conditions.

The fourth step, therefore, gives a revised estimate of changes in business investments and government programs, which in turn gives a basis for a revised estimate of consumers' income and consumers' expenditures in a second approximation.

Comparison of the full-employment level of aggregate expenditures with the aggregate of prospective expenditures, not taking into account new full-employment programs, provides a basis for considering such government programs as may be needed for reaching or maintaining the full-employment objective.

III. STATISTICS NEEDED FOR ESTIMATING FUTURE EXPENDITURES BY BUSINESS, CONSUMERS, AND GOVERNMENT

In this section the available statistical information will be surveyed in some detail. This will indicate the improvements that are necessary in order to make satisfactory estimates of future expenditures as required by the full employment bill.

1. *Estimates of past expenditures by consumers, business, and government*

Estimates of future expenditures by consumers, business, and government necessarily require extensive information for the current period and also for past years. Available statistics now provide satisfactory estimates, quarterly and yearly, of aggregate expenditures by consumers, business, and government, and the main component parts. The Department of Commerce, utilizing data compiled by various agencies, has for some time been publishing annual and quarterly estimates of national income as well as of aggregate expenditures. The President, in his 1946 Budget, has for the first time transmitted to Congress estimates of aggregate incomes and expenditures—the Nation's Budget for the year 1944 as compared with an earlier year.

These estimates are based on primary information of the Bureau of the Census, Bureau of Internal Revenue, Bureau of Labor Statistics, Department of Agriculture, Social Security Board, Board of Governors of the Federal Reserve System, Bureau of Foreign and Domestic Commerce, and State tax commissions.

A review of the statistical sources and methods used by the Department of Commerce for estimating the gross national product of past years is found in the March 1943 issue of the Survey of Current Business. Statistical sources for estimating expenditures for consumers' goods and services are reviewed in the issues of October 1942, November 1943, and June 1944.

Census and tax data provide a basis for a comprehensive and reliable estimate of national income and expenditures. These comprehensive data become available only several years after the year to which they refer. These data can be used, however, as benchmarks for more current statistics collected on a sample basis. Great progress has been made in recent years in obtaining information that makes possible the preparation of current estimates of incomes and expenditures. Nevertheless, there are still gaps in our information, particularly with respect to current estimates of consumers' incomes, savings, and expenditures, by income brackets, and capital expenditures by business.

As a basis for estimating future expenditures, it is necessary not only to compile the aggregates of past expenditures, but also to study the past interrelationship between such items as production and employment, production and prices, production and wages, production and profits, profits and business investments, consumers' incomes and expenditures, etc. In this respect, much progress has been made in recent years. The use of these broad relationships in estimating prospective expenditures has already been indicated (II-2). If there is, for instance, any reason to assume that income available to consumers (after taxes) will decline, it is possible to estimate the decline in consumers' expenditures which must be anticipated unless extraordinary factors exist requiring adjustments of estimates derived from past relationships. For some time, both governmental and private agencies have been utilizing current estimates of national income and expenditures and the relationships between the component parts in estimating future income and expenditures.

2. *Statistics for estimating future consumers' expenditures*

As has been pointed out above, estimates of consumers' expenditures for future years depend largely on their relationships to the level of disposable consumer income—that is, of total income remaining after payment of personal taxes. The better our knowledge of these relationships, the better will be our estimates of future consumers' expenditures.

The relationship between disposable income and total consumers' expenditures can be determined on the basis of Department of Commerce statistics for past years, covering individual income payments, after taxes, on the one hand, and aggregate outlays for consumer goods and services, on the other hand. For 1929 to 1940—the prewar period for which the estimates are most reliable—the correlation between the two series is remarkably close, and even for earlier years the relationship is surprisingly stable.

Since the Department of Commerce presents separate estimates of consumers' outlays for a fairly detailed list of goods and services, it is possible also to

determine how different types of consumers' expenditures have responded, in the past, to changes in disposable income. In the October 1944 Survey of Current Business, for example, such relationships are shown for retail sales in 12 types of nondurable-goods stores and 9 durable-goods stores; in the January 1945 issue, some 174 consumer expenditure items are classified according to their sensitivity to changes in disposable income.

While these analyses of past relationships can provide a first rough approximation of future consumer demand, the results must be adjusted to take account of various special factors that will influence the level of consumer spending during the transition and postwar years. The tremendous volume of liquid savings accumulated during the war, and the huge backlog of deferred demand, particularly for consumers' durable goods, are probably the most important of these factors. Estimates of the total volume of these abnormally high savings and of their counterpart in deferred demand can be derived from the Commerce data, but information is almost wholly lacking as to their allocation among various population groups and various income classes.

To provide this information, there is urgent need of a Nation-wide survey of the distribution of consumer incomes and of consumer spending and savings at different income levels. An extensive study of this type, covering a 1-percent sample of households, was made in 1936 by the Department of Agriculture, the Department of Labor, the National Resources Planning Board, and the Works Progress Administration in cooperation. Since then no large-scale survey has been made, although several limited studies have been or are now being undertaken. Among these may be mentioned:

A study of family spending and saving in wartime, covering the year 1941 and the first quarter of 1942, with a sample of 3,100 urban and rural households (Department of Agriculture and Labor).

A survey of prices paid by consumers, covering family incomes and expenditures (but not family savings) for the year 1944, from a sample of 1,700 urban households (Department of Labor).

A study of adjustments of rural families to economic change, covering family incomes, expenditures, and savings for the year 1944, with estimates of changes over 1943, from a sample of 600 Tennessee families.

In addition, three surveys of consumer requirements, made by the Census Bureau for the Office of Civilian Requirements, have obtained information on wartime shortages and consumer purchases, with rough estimates of family income, from small samples of urban and rural households for three recent periods—November 1943 and March and April 1944.

Although these studies throw some light on changes in family patterns of spending and savings occasioned by the war, they provide an inadequate basis for estimating future consumers' expenditures and market demand, and include no information about accumulated savings. To supply adequate information, the program on basic economic statistics, recently developed at the request of the President, included plans for large-scale studies of consumer incomes and consumer expenditures and savings for the year 1944, covering representative samples of the Nation's households, with information on accumulated savings and on recent changes in income status for the consumer expenditures sample. No action was taken by the last Congress on these plans; they have been transmitted again in modified form to incorporate necessary changes in timing.

Supplementing these plans, the Board of Governors of the Federal Reserve System has initiated a small pilot study of consumers' attitudes concerning the spending of war savings, and on the volume and forms of savings held by various economic groups. This study, conducted for the Board by the Bureau of Agricultural Economics in one rural county and one large city, will shed some light on the degree to which consumers may engage in abnormally high expenditures when durable goods again become available. Also, a number of private agencies, such as the United States Chamber of Commerce, have initiated surveys of prospective consumers' expenditures. The difficulty is, of course, that even contemplated extraordinary expenditures will materialize only if consumers feel secure in their jobs at the actual time of expenditures. Therefore, some degree of uncertainty will remain in these estimates for the transition period even with the necessary improvement of the statistical data.

3. Statistics for estimating future business expenditures

Statistics for business expenditures can be reviewed under the following headings:

Residential and private nonresidential construction.

Producers' durable goods—

For farm use.

For use by professionals (doctors, dentists, etc.).

For use by other unincorporated business.

For use by incorporated business.

Net addition to inventories.

Net exports.

There is, as has been said before, a fairly good statistical basis for estimating business investments of the past, but direct information about future expenditures is extremely scanty. The various projections of this item used in projecting future gross national product are based mainly on the observation of current trends and attitudes and conclusions from past experience rather than on direct statistical information.

Residential and nonresidential construction.—Construction expenditures can be estimated over the short run, perhaps a quarter of a year in advance, by use of building permits and awards of building contracts. The Bureau of Labor Statistics compiles statistics of building permits issued, the National Housing Agency, statistics of construction authorizations for residential construction, and F. W. Dodge, statistics of contracts awarded, all of which can be used for such short-run forecasts.

The Construction Research Division, of the War Production Board, has made estimates of probable future expenditures for residential construction, by quarters, on the basis of the National Housing Agency's estimates of housing needs in various areas and the War Production Board's forecasts of the availability of building materials. It has also made estimates of expenditures for nonresidential construction for future quarters, on the basis of priority and materials controls. When the controls over construction are dropped, forecasts of future expenditures for construction cannot be made by the present method.

The Bureau of Labor Statistics has made a forecast of probable expenditures (converted to 1940 prices) for private, residential (nonfarm), nonresidential, farm, and utility construction, and also for expected public construction during a period of 12 months preceding the end of the war and for 5 years following the end of the war. This forecast for 6 separate years is essentially an informed opinion based on information on scheduled or contemplated programs obtained through personal interviews and in reports from utilities, professional associations, architects, trade associations, officials of Federal agencies, financial organizations, institutional investors, and the architectural, engineering, building, and financial press.

The Bureau of Labor Statistics has proposed a study of all non-Federal construction projects authorized in 1944 having an estimated cost of \$25,000 or more and a 10-percent sample of smaller projects. The information that will be requested includes the location of the project, the cost of construction under contract, the cost of construction by "force account," the estimated cost of movable machinery, the date and valuation of the building permit, the date on which construction was started, and the estimated date of completion. It is hoped that this study will enable better estimates of construction expenditures by State and area than are now available by thus refining and adjusting the present series.

Producers' durable goods—for farm use.—The Bureau of Agriculture Economics of the Department of Agriculture makes an annual estimate of production expenses of farm operators for the current calendar year in July of each year, including expenditures for maintenance or depreciation of buildings, motor vehicles, machinery, and equipment. The Bureau is planning to collect quarterly figures on capital expenditures on the farm for construction, maintenance, and equipment in connection with its proposed survey of farm income and expenditures which will cover a national sample of farms. No direct survey of farmers' future capital expenditures has been made or is contemplated at the present time.

Producers' durable goods—for use by professionals and other unincorporated business.—For this type of investments, less information is available than for any other type. Experiments have been made to obtain business data from

professionals and unincorporated business groups as part of a survey of consumers' expenditures and savings. The income and expenditures survey proves to be a valuable source of information in the case of farm investments. With respect to business outlays of professionals and nonfarm unincorporated business, however, the results of test surveys have not been encouraging. Further exploration of adequate methods of obtaining such data is needed.

Producers' durable goods—for use by incorporated business.—No official surveys of future corporate expenditures on capital account have been made. Such unofficial estimates as are available are not sufficiently scientific in their sampling method to be very useful.

The Bureau of Foreign and Domestic Commerce of the Department of Commerce recently sent a single-time questionnaire to a sample of 32,000 manufacturers requesting information on anticipated capital outlays during the first year following the end of the war in Europe on the following items: (a) Construction; (b) machinery or equipment; (c) alteration of plant or equipment; (d) repairs or maintenance; (e) increased inventories of nonmilitary goods; (f) the carrying of increased trade receivable. For the main items, comparable information for 1939 is also requested. Opinion on expected financial requirements for both working capital and fixed capital is also asked for. It is as yet not possible to evaluate the returns which are now coming in. When available, the returns will be tabulated by industry, by size of firm, and by area. The Bureau of Foreign and Domestic Commerce is proposing to obtain similar information from railroads and power companies.

In addition to these single-time surveys, the Bureau of Foreign and Domestic Commerce is proposing to collect from a sample of 4,000 corporations quarterly data on (a) corporate expenditures for plant, (b) corporate expenditures for machinery and equipment, and (c) budgeted capital expenditures for two quarters in advance.

There are, however, still a number of industries not covered by these contemplated surveys, such as the mining, distribution, and transportation industries other than railroad. No plans for these fields are contemplated at the present time.

A number of private agencies have made some sample surveys of capital outlays which corporations expect to make when materials become available. In addition, business analysts and investment counselors might be able to provide much information concerning private investment plans. An effort should be made to tap this source.

Net addition to inventories.—Some data on future developments of inventories will be forthcoming from the studies of the Department of Commerce referred to above. They will not give, however, a complete coverage of future inventory developments, particularly with respect to inventories in wholesale and retail trade. Industry Survey, a publication of the Department of Commerce, gives an up-to-date running account of orders, shipments, and inventories which is being used as a basis for forecasts in the absence of information about future plans.

Net exports.—The prediction of important developments in foreign trade again must be of an indirect nature. Forecasts, as they are made in the various projections, are based on the analysis of general economic conditions in the United States and foreign countries, on dollar balances available, and on expected capital transactions. There is probably available considerable information in consular reports and economic intelligence that might be useful for purposes of projections.

This review indicates a great scarcity of direct data on probable future business expenditures. There is need for periodic information at perhaps quarterly intervals on the probable future outlays on capital account by at least the more important industries with which to check and correct projections made on the basis of more general considerations.

4. Statistics for estimating future State and local expenditures

The work of the Government Division, Bureau of the Census, provides basic information about revenues and expenditures of State and local governments. However, its statistical reports are all retrospective and appear with a considerable time lag.

The Bureau of the Budget has recently established a Federal Interdepartmental Advisory Committee on State and Local Government to help guide the further development of programs in this field. One of the main questions raised by the committee referred to the possibility of getting comprehensive statistics

of State and local expenditures more frequently and more currently in a classification closely related to the needs of national income estimators.

Pending the availability of direct forecasts of State-local expenditures, some help, at least with respect to projecting Federal and State public-works expenditures, may be derived from a recent survey made by the Federal Works Agency and the Bureau of the Census at the request of the House Committee on Postwar Economic Policy and Planning. Statistics on the current status of public works planning and financing were compiled from replies to a questionnaire sent to all State and a broad sample of local governments. Information was requested on public works by stage of plan preparation: (1) completed stage, (2) design stage, (3) preliminary stage, and (4) idea stage. The findings of this survey are of great help in estimating the probable volume of State and local public works in the reconversion and immediate postwar period.

Conclusion

Although it cannot be said that there is now in existence "a comprehensive system of estimating future expenditures," considerable progress has been made and is being made. In spite of the sparsity of direct forecasts of individual expenditure items of consumers, business, and government, projections of the totals by major groupings are being made on the basis of current trends and past relationships. These projections are useful as approximations of general orders of magnitude. But a considerable improvement of statistical information is needed if these projections are to become reliable also with regard to the details. In the recent development of sample surveys, a technical tool is evolving which can be of great use in this respect.

DEPARTMENT OF AGRICULTURE,
Washington, D. C., May 1, 1945.

HON. CARTER MANASCO,

*Chairman, Committee on Expenditures in the Executive Departments,
House of Representatives.*

DEAR MR. MANASCO: I am glad to reply to your letter of March 20, asking for my opinion on H. R. 2202, a bill to establish a policy for assuring continuing full employment, since I believe this is a matter of very great importance to all groups in the Nation.

Assurance of continuing full employment is of great importance to farmers. As I indicated in a letter to Senator Murray last December:

"Your draft bill 'to establish a national policy and program for assuring continuing full employment' is a proposal of real importance and significance. Any proposal to relate our Federal fiscal policies to our national economy in such a way as to maintain full employment and insure high levels of business activity is worthy of our deepest consideration. Such a proposal is of equal significance to all segments of our economy, including agriculture.

"As I have stated many times before congressional committees and elsewhere the first essential to solving postwar farm problems is maintaining full industrial production and employment of workers, because farmers sell and will continue to sell most of what they produce on the domestic market. Only through full employment at good wages can they have plenty of customers able to pay fair prices for their products.

"The consequences of widespread unemployment in this country in the postwar period could well prove to be detrimental not only to the welfare of our citizens who are unemployed, but would be most costly to the rest of our people and to the Federal Government itself. As a matter of fact, another depression might strike at the very foundation of our entire political economy * * *."

The Association of Land Grant Colleges and Universities recognized the importance of high employment to farmers in the recent report of their Committee on Postwar Agricultural Policy, as follows:

"We need high-level employment and production.

"Towering above all other considerations is our need for nearly full employment and unrestricted production. These are important to everyone, and not the least to farmers. The amount of money that urban people have to spend largely determines how good customers they are for farm products. In addition, high-level industrial production brings a large supply of goods to farmers at reasonable prices, and it also provides job opportunities for those who are not needed in agriculture. Urban people in turn are benefited by good farm income and high-level farm production.

"High-level employment in nonagricultural industry means very much more to farmers than any farm program the Government may attempt. Manipulations of agricultural production and prices are no substitute for good consumer markets * * *"

Our Bureau of Agricultural Economics has recently completed a study of What Peace Can Mean to the American Farmers. According to that study, if the Nation can maintain full employment, farmers should continue to receive cash income of around \$17,000,000,000 annually from the sale of their products, or more than twice prewar. With moderate depression this would drop to around 12½ billion, and with severe depression would drop to around 6½ billion. (These estimates were made after extensive consultation with interested experts in other departments, and of course are subject to revision in the light of further study.) The table enclosed summarizes these estimates of the effect of prosperity or depression on the welfare of farmers. At full employment, it is estimated agriculture would provide work for about 8,000,000 people, as compared to about 9,300,000 on the average before the war (many of whom were not fully utilized). Full employment would also give farmers and their sons not needed in agriculture, good opportunities for work off the farm either full time in industry or as part-time farmers.

Farm land values have increased sharply during the war period, and many farms have changed hands at the higher prices. With continuing full employment, farmers who have bought farms on mortgages at present prices should have relatively little difficulty in paying for them. If there should be moderate or severe depression with corresponding great reductions in prices of farm products and in farm incomes, land values will be certain to decline. Farm foreclosures and bankruptcies would rise, and great distress would spread through the farming regions much as it did in the two decades after the last war.

Most of the activities covered by this bill are beyond the competence of this Department. We have noticed, however, that in discussions of such measures, the question has often been raised as to whether flexible taxes could not be used as one of the control devices as well as flexible expenditures. Section 6 (b) already recognizes that there is need for administrative flexibility with reference to the rate of Federal expenditures and investment, subject to such principles and standards as may be set forth in appropriate legislation. It therefore occurs to me to ask whether the committee might not feel it worth while to explore the issue as to whether or not it might be desirable to have this section cover tax flexibility as well as expenditure flexibility. Merely to illustrate the idea, it would be possible for Congress to authorize that withholding taxes could be reduced temporarily whenever the President found that such reduction was necessary in order to maintain sufficient buying power, pending the enactment by Congress of other measures to correct the situation. No doubt there are many alternative devices by which such tax flexibility could be provided which the committee might find it worth while to examine and consider.

The proposal involves making the maximum effort to stimulate employment by private business first, and then providing employment from Federal funds only to the extent necessary to supplement private employment. This provides private enterprise scope to employ as many workers as it possibly can, which seems to me to be the wise policy.

Enactment of such a bill would, in my opinion, constitute a great landmark in the establishment of a modern economic policy by this Nation. It would be in the interests of all our citizens—farmers, laborers, and businessmen.

The Bureau of the Budget has informed me that it has no objection to the submission of this report.

Sincerely,

CLAUDE R. WICKARD, *Secretary.*

(Enclosure)

TABLE 9.—*Employment, prices, and income in the United States, 1935-39, 1943; and estimates for 1950 under assumed conditions*

Item	Unit or base	1935-39	1943	1950		
				Full em- plov- ment, about—	Inter- mediate em- plov- ment, about—	Serious depres- sion, about—
		(1)	(2)	(3)	(4)	(5)
Total labor force.....	Millions.....	53.8	62.6	60.0	60.0	60.0
Armed forces and ¹ / ₂ million casualties.....	do.....	3	9.1	2.5	2.5	2.5
Total unemployment.....	do.....	10.2	1.1	2.0	7.0	17.0
Total civilian employment.....	do.....	43.3	52.4	55.5	50.5	40.5
Total agricultural employment.....	do.....	9.3	8.3	8.0	8.5	9.0
Total nonagricultural employment.....	do.....	34.0	44.1	47.5	42.0	31.5
Gross national product.....	Billion dollars.....	81.9	186.5	188.0	130.0	76.5
National income.....	do.....	65.4	147.9	150.0	105.0	57.5
Wholesale prices, all commodities, index.....	1926.....	81.0	103.0	103.0	87.0	66.0
Cash income from farm marketings.....	Billion dollars.....	8.0	19.2	17.0	12.5	6.5
Net income of farm operators.....	do.....	4.2	11.4	9.3	6.5	3.0
Prices received by farmers, index.....	1910-14.....	107.0	193.0	165.0	125.0	75.0
Prices paid, interest and taxes, index.....	1910-14.....	128.0	162.0	165.0	140.0	120.0
Parity ratio (prices received versus prices paid).....	1910-14.....	84.0	119.0	100.0	89.0	62.0
Food consumption, per capita, index.....	1935-39.....	100.0	106.0	118.0	110.0	100.0
Agricultural production, index.....	1935-39.....	100.0	129.0	135.0	125.0	115.0

¹ Production consumers would buy at the prices assumed.

The CHAIRMAN. Mr. McCormack, the majority leader, has asked me to have inserted in the record at an appropriate point an editorial—

Mr. COCHRAN. That ought to come at the bottom.

The CHAIRMAN. I am simply asking permission to insert this editorial at some appropriate place. Without objection, that will be done.

Mr. RICH. Not at this point.

Mr. COCHRAN. In the appendix.

The CHAIRMAN. Without objection, that permission will be granted.

Mr. Patman, the author of the bill, is our first witness.

STATEMENT OF HON. WRIGHT PATMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. PATMAN. Mr. Chairman, as author of the bill, I want to express my appreciation to the committee for giving us such a prompt hearing on this very important proposal. We know that this committee has been very overworked. We have had some of the most important legislation that has come before this Congress before this committee, and I commend the committee for the fine work it has done, and am doubly appreciative for that reason of the opportunity for early hearings on this bill.

I speak for the 112 Members of the House of Representatives who are coauthors and cosponsors of this legislation. Mr. George Outland, Representative from California, is chairman of our steering committee, which is composed of the 112 House Members, and Mr. Outland will be here to testify, and he will have charge, of course, of pushing the bill before the Congress. He has been delegated for that purpose.

This bill, to my mind, is more important than any other peacetime bill that I know of to come before the Congress. It involves matters affecting every person in the United States. It affects every part of our economy.

Mr. HOFFMAN. Did you say something about it affecting taxes?

Mr. PATMAN. I said it affected every part of our economy. It affects taxes, too, of course.

I don't know of any better speech that could be made for this bill than a reading of the bill itself. I am not going to read it, because I presume the members of the committee, if they haven't already done so, will read the bill in the course of the hearings and as points are brought up affecting the different matters embraced therein, and I am sure you will give it your consideration.

To my mind it will be impossible to have free enterprise survive in this country unless something is done in the direction of full employment and full production. I don't mean by that that we must have exactly 60,000,000 jobs, or 58,000,000 jobs; I mean that we must create a climate that is such that it will encourage private business to employ people and keep them substantially and generally employed up to the limit. Not perfection. I don't mean that we should have a particular job for a particular person. Not at all. We just want to create a climate, an atmosphere, in a way that will induce private business, free competitive enterprise, to do this employing and thereby eliminate any possible necessity of another WPA under which useless work would be performed. We don't want that. And this is in the direction of preventing what has happened in the past in the way of public relief and useless work.

That is the object of this bill.

If we were to have another depression, the first people to feel the effects of it, of course, will be the very poor and the lowest-income groups among the workers. Among the business people, the first to feel it will be the independent merchants, the little businessman. They are the very first to feel it, the first to have to close their doors, the first to have to give up, and the very first to have to go into bankruptcy. The larger concerns, of course, have a backlog of capital to draw on. They also have certain standard practices, bordering on the monopolistic, and sometimes they are monopolistic—patent rights, and so forth, that keep the trade coming to them and doing business with them, and for that reason they can get through a pretty hard depression. But the little man, the independent man, is out right off.

So when you are considering legislation like this, you are considering legislation that will be helpful, first, to the small, independent merchant, to free enterprise, to competitive business, and to the very poor, the poorest, who are the people who will need relief.

The question is: If we don't do something of this kind, what are we going to do? And I plead with you, members of the committee,

to keep that one point in mind: If we don't have this, what is the alternative? What do we suggest should be done in place of this?

Now for a moment, let me tell you briefly what this proposal is; just the fundamental principles of it, not in detail.

First, it is proposed here that the President will make some kind of a budget—we will call it national production and employment budget, if you will—in the early part of the year.

You know that now Congress meets every year on January 3, unless a different date is fixed by law, which is not often done. The President would be expected to have his budget on production and employment ready by that date.

This budget will set forth the number of people that likely will be offered employment and be given employment. Not the idle people, not the people who wouldn't work anyway, but the people who are able and anxious and willing to work, the people who want work. It is true that there are about 3,000,000 people who will never work; they are sick, they are old, they are not in position to work at all. There are 3,000,000 that you can count off. Then we will have about 2,000,000 in the armed services after this war is over. That makes about 5,000,000 you can deduct.

But the budget should take all these things into consideration and tell Congress about how many jobs will be available; and then also tell the Congress about the investments and expenditures by private business, by cities, towns, counties, and different political subdivisions; and if the Government is engaged in a public building program—post offices, for instance—the amount of that.

In other words, he will add all that up and determine how many jobs that will make available. Then, after he has done that, after he has told Congress about how many jobs will be available and about how many workers will be given an opportunity to have jobs, he will then tell us about how many will want jobs and will be eligible under this. If there are more jobs than there are people, then we will have on our hands the problem of preventing inflation, and we have a provision in here that in the event such a situation should occur, it will be the duty of the President to enact measures, or suggest measures, that will have a tendency to retard or prevent the inflationary trend.

Mr. HOFFMAN. Do you mean high wages?

Mr. PATMAN. Well, it could be anything. In other words, if there are more jobs than there are people, naturally there should be a lot of money in the country, and with lots of money there will be higher prices, which, of course, can be a serious matter if not retarded.

Mr. HOFFMAN. And if there are more jobs than people it would mean, necessarily, higher wages.

Mr. PATMAN. Of course, that is a point you know more about than I do, but I suspect wages would certainly rise with everything else. They usually do. I don't see why this should be an exception.

Mr. HOFFMAN. I just thought that under the general law of supply and demand, if there were more jobs than workers that necessarily means higher wages.

Mr. PATMAN. That is inevitable. Therefore something should be done to prevent a ruinous inflation.

Mr. HOFFMAN. In wages?

Mr. PATMAN. Well, anything. Yes; wages, prices, or anything else.

The CHAIRMAN. If I recall, back in the spring, the Military Affairs Committee brought out a bill asking us to draft labor. You will recall that the blood was knee deep over in the well of the House. We voted for that bill on the insistence of the leaders of the administration. When the House passed it that put us in a pretty bad spot with labor. A few days after that it went over to the Senate and the military leaders said we didn't need the bill. This budget is to be made out 6 months ahead of time. I am wondering if the same kind of mistake could be made 6 months ahead of time as was made on the bill I just mentioned.

Mr. PATMAN. Of course, I think mistakes will always be made.

The CHAIRMAN. Isn't it natural to make those mistakes on the safe side?

Mr. PATMAN. Oh, yes; we know mistakes will be made, especially in times of war. I am sure that there are times in this war when you wouldn't have known what to do if you were the leader. But it is better to do something than nothing at all, even by the trial-and-error method, where, if we make a mistake, we can back up and correct it.

Now, on this budget, in the event there should be more people who want jobs than there are jobs, something will have to be done to permit those people to have jobs. That is one of the objects of this bill, too.

Mr. HOFFMAN. You said "permit them to have jobs." You mean give them jobs?

Mr. PATMAN. Give them the opportunity to work. The bill provides, in that event, that first an effort shall be made to create a climate in some way that will encourage private business, free competitive enterprise, to take up that slack, take up that surplus of labor. That is No. 1; do it that way, if possible. In the event it is impossible to do that—well, you know that we are not going to permit people to starve in this country; you know we are not going to permit millions of people to be unemployed in this country without opportunity to work. We all know that. We may make out like we are not going to do anything about it, but we will. So the thing to do now is to do a little planning in advance of that time and see if we can't have an economy that will absorb all these workers, and not have a situation develop that will compel us to go back to relief, such as we had in the thirties. We don't want that. We want people to work for what they get, if it is possible to do so.

I believe that the facts that I have just enumerated about the bill substantially and generally cover the objectives and intentions of this legislation, and I hope the committee will keep in mind what I said awhile ago—that if we don't have something like this, what will we have? What will be the alternative? Let us not reconcile ourselves to a cycle of booms and depressions. I don't know that it is possible to prevent every little depression or every boom. I don't think, as long as we have human beings running this country—and as long as we have a democracy, we will have human beings running it—that we will always be able to avoid those things. But let us do our best to avoid them; and if we have a depression, make it as easy as possible; and if we have a boom, make it as little as possible. Let us not reconcile ourselves to the idea that we must continually have these booms and depressions. If we do have them, we will destroy the private enterprise system in this country. Every 10 years, practically,

we have been wiping out small business, small industry, and we shouldn't do it.

Mr. RICH. May I ask this question? In the face of the strikes going on all over this country now, do you know of anything that creates unemployment more than strikes?

Mr. PATMAN. I do not. I thoroughly agree with you. I certainly regret that there are strikes.

Mr. RICH. Do you know of anything that creates more unemployment—

Mr. PATMAN. I don't know the merits of the contentions on either side. I am not passing on it.

Mr. RICH. Do you know of anything that will compel small business to go into bankruptcy quicker than strikes?

Mr. PATMAN. Of course, it so happens that small businesses are not directly concerned in these strikes.

Mr. RICH. Oh, yes; there are lots of small businesses that are affected out in my country.

Mr. PATMAN. They are indirectly affected because of the strikes.

Mr. RICH. They are indirectly affected; yes. Do you know this—that there is a communistic tendency to close down all business through these strikes? It is not a question so much of higher wages as it is to close everything down so that the Government will have to take over all business.

Mr. PATMAN. I don't know that—

Mr. RICH. That is the motive behind these strikes at the present time.

Mr. PATMAN. Well, anyway, I would be against it if that is the motive. You know, we almost came to communism at one time in 1932, and if we hadn't given some relief to some folks, we would have had communism. This is a bill to prevent communism and help small business, encourage the growth of private enterprise, rather than destroy them every few years.

Mr. RICH. Anything that will prevent that I am for.

Mr. PATMAN. Well, this is it.

Mr. RICH. You will have to convince us on that point, because we need to get some action pretty quick if we are going to prevent it.

Mr. PATMAN. This is a long-range program; it is not a "quickie" for stopping disorders, all disunity.

Mr. RICH. Do you know of anybody who doesn't want full employment for all the people in this country who want to work?

Mr. PATMAN. I don't know of anybody who says he doesn't want it. But there are a lot of people who are "yes—but" people; they just "but" it off. They "but" this and "but" that, and when you get through putting all the but's in you haven't any legislation left.

Mr. COCHRAN. Isn't the gentleman's question now in conflict with the question he asked, or the statement he made just awhile ago, when he said the Communists wanted to close down all business? He is now asking you if you know anybody who doesn't want full employment; and just a minute ago he said the Communists were trying to close down all the business in this country.

Mr. RICH. I am not in favor of that.

Mr. COCHRAN. In my opinion, I don't agree with what you said. I can't reconcile your two statements.

Mr. RICH. And in my opinion, that thing is growing so fast that I am fearful the President might have to take over all business in order to give people jobs. That is just what they are working toward, and we have to be careful that it don't happen.

Mr. COCHRAN. In the first instance, you said the Communists were trying to close up all business; then you ask the question, "Do you know anybody in this country that doesn't want full employment?" If the Communist wants to close down all business, then certainly they don't want full employment.

Mr. RICH. In asking that question I was speaking about good, sensible men. I don't believe Communists are sensible people.

Mr. COCHRAN. That doesn't prove your contention that these strikes out there are the result solely of communistic activity. That doesn't seem sound, in my opinion.

Mr. PATMAN. Since Congressman Rich brought up that point, I think one of the greatest tests, one of the greatest challenges to the democracies, is that of keeping people from looking at exceptions and saying that that is the general rule, and selling others on the theory that the whole country has gone to the dogs and everything is rotten, just because of certain exceptions. You can take any church, or lodge, or the finest institution in this country, and you can pick out a few fellows in there who are not deserving; and yet you cannot, because of them, condemn the whole thing. We could do that with our own Congress, because sometimes some of these fellows will say something on the floor of the House that they haven't given full consideration to; and if the people judge the whole Congress by what the individuals said, they would have a bad opinion of the whole Congress. So, in a democracy, I think it is necessary that we should keep our eye on the ball and not look at the exceptions, but at the general rule, and I think the general rule in our country has been that it is mighty fine. There are certain things that are irritating, annoying, and that we don't like, but generally this democracy is getting along fine. It is the best Government on earth, and we want to keep it that way. And this bill is in that direction.

The CHAIRMAN. You referred a few minutes ago to creating a suitable climate for employment and emphasized the fact that this climate should be healthy for private enterprise. I am just wondering, if we do undertake to guarantee and insure full employment for everybody, if it wouldn't be necessary for the Federal Government, in order to prevent dislocation in employment, to place a ceiling on production in certain industries? We hear a lot of talk about the machine age now. Of course, everybody knows you could produce enough automobiles in 2 or 2½ years to glut the market. Then, as we have thousands of people out of work, wouldn't it be necessary, in order to insure employment, full employment all the time, to have a ceiling on production?

Mr. PATMAN. I don't think so. I think we should have full production; and if we were to get to the point you mentioned, I would think shortening the hours of labor would be more desirable than cutting down production.

The CHAIRMAN. Then you are still going to have some discrimination between employees, because the farmer can't shorten his hours very much.

Mr. PATMAN. He can shorten them with machines.

The CHAIRMAN. But the old cow has to be fed early in the morning and late at night.

Mr. PATMAN. Yes; that is right.

The CHAIRMAN. So you would have the fellow on the assembly line—

Mr. PATMAN. One of the objects of this bill is to give the farmer a fair price for what he does.

The CHAIRMAN. I understand that. But take our cotton—we are producing more cotton now than our domestic economy will consume, and it is having to fight for its life against the synthetics—rayon and the like.

Mr. PATMAN. Cotton isn't whipped.

The CHAIRMAN. If we continue to produce cotton at the rate we have been producing it over the last 10 years and expect the Federal Government to buy all the surplus and store it in the warehouse, we are going to run into a pretty serious problem, aren't we?

Mr. PATMAN. We would have to have a rather stagnant mind, from the national viewpoint, to permit that to be done. There are too many uses for cotton. I can invite your attention to one that is not so very old, and yet it isn't new—insulation for houses. Cotton makes the finest insulation in the world, and I predict that in time to come they will use millions of bales of cotton for that purpose alone—the insulation of houses. That is one of the new uses that has been developed.

Mr. RICH. Do they make mineral wool out of cotton?

Mr. PATMAN. I don't know whether they do or not. But cotton is a commodity that never deteriorates. You know they found cotton in King Tut's tomb.

Mr. RICH. Will we have to subsidize it in order to keep on growing it, if they continue to find substitutes for it?

Mr. PATMAN. I don't think that is contemplated now. I don't see any reason why the development of new uses should be so slow as that.

The CHAIRMAN. I brought cotton into the discussion for the reason that we have tried to curb the production of cotton in this country by placing a ceiling on the number of bales to be produced by the farmers.

Mr. PATMAN. Yes, sir.

The CHAIRMAN. I was thinking, if we had to do that to protect the economy of the farmer, wouldn't it be necessary to place a ceiling on the amount of coal produced, and the amount of automobiles and washing machines?

Mr. PATMAN. I don't think so. Of course, if they produce too many, the price will go down, and the manufacturers themselves probably will not be anxious to overproduce for that reason.

The CHAIRMAN. If the price goes down, then we would have to cut wages, so that it just goes around in a vicious circle.

Mr. PATMAN. Ford didn't cut wages when his prices went down.

The CHAIRMAN. I say, it would go around in a vicious circle.

Mr. RICH. What did Ford have to do during the last week because he couldn't get wheels on account of the Kelsey-Hayes wheel strike? He had to close his plant practically down and throw 80,000 employees out of work.

Mr. PATMAN. That is right. He had a large integrated operation there. You see, size is sometimes a burden and a responsibility, as well as a benefit and an advantage.

Mr. COCHRAN. Mr. Patman, this bill lays down a policy which commits the Government to bring about full employment. Now, analyzing the bill, it is to prevent what you might say is another depression, if possible, by cooperating with industry, agriculture, and so forth, and if such a condition exists or develops, and this bill becomes law, the Government will be able to step into the picture to some extent to prevent a depression. So that if it is necessary for the Government to do something to bring about employment, this bill, in effect, would be an authorization for that; would it not?

Mr. PATMAN. Yes, sir; that is one of the objects of it.

Mr. COCHRAN. And we would have a plan developed whereby, if it was necessary, for us to spend some money to assist both business, agriculture, labor, and so forth to provide employment, and an appropriation was brought in for that purpose it would not be subject to a point of order, if this bill is passed. Is that correct?

Mr. PATMAN. Yes.

Mr. COCHRAN. This bill would be an authorization.

The CHAIRMAN. You think it would be subject to a point of order?

Mr. PATMAN. If there was no authorization.

Mr. COCHRAN. If this bill were passed, wouldn't this bill serve as an authorization for that?

Mr. PATMAN. Yes, sir; that is my opinion of it.

Mr. COCHRAN. That was my understanding, and I wanted that definitely stated.

The CHAIRMAN. That is what a lot of people have stated, that this does not authorize an appropriation. But I understand that if somebody introduced a bill on the floor to build a bridge across Lost Creek it would not be subject to a point of order.

Mr. PATMAN. It has to be enacted.

The CHAIRMAN. But if this bill becomes law, would it?

Mr. PATMAN. I think there would have to be some program designed to assist the Nation, a program to relieve general unemployment.

The CHAIRMAN. In that particular area there might be unemployment in the factories, by reason of their being shut down, and the rest of the Nation might have full employment. In this particular area where the bridge is to be built they might have serious unemployment and you want to guarantee employment in that particular locality.

Mr. PATMAN. May I say—

Mr. CHURCH. Will you follow that through?

Mr. PATMAN. That is a specific instance.

Mr. CHURCH. You don't think this would constitute an authorization, then?

Mr. PATMAN. No; I don't think this constitutes an individual authorization. I think this would have to be based on national welfare.

Mr. CHURCH. It constitutes an authorization for what kind of legislation?

Mr. PATMAN. It constitutes an authorization for legislation to relieve a general situation over the Nation.

Mr. CHURCH. Like the WPA appropriation?

Mr. PATMAN. Something to eliminate a WPA, to obviate the necessity for it.

Mr. CHURCH. I shouldn't say, perhaps, WPA, but for putting people to work.

Mr. PATMAN. That will affect the national economy.

The CHAIRMAN. In other words, if we pass this bill under that theory, we can offer an amendment on the floor of the House to start a billion and a half dollar road program without going to the House Committee on Public Roads for an authorization. That certainly would affect employment.

Mr. HOFFMAN. Is that right?

Mr. PATMAN. I couldn't say.

Mr. COCHRAN. I notice here, on page 20, paragraph (c)—

Nothing contained herein shall be construed as directing or authorizing any change in the existing procedures on appropriations.

Mr. PATMAN. I am not in position to testify about that, because I don't know.

The CHAIRMAN. That is one of the things that has disturbed me about this bill.

Mr. PATMAN. We will get somebody to testify on that.

The CHAIRMAN. I would like to have an expert parliamentarian testify on that. I think that is a very important factor.

Mr. PATMAN. The best expert in the United States is Mr. Deschler, of course.

The CHAIRMAN. Mr. Deschler would not give an opinion without knowing the facts.

Mr. PATMAN. He would want to see the facts.

The CHAIRMAN. He is like a court; he doesn't give a preview of what he will decide.

Mr. PATMAN. I want to state some of the things this bill does not do, to correct erroneous impressions around the country. There is no bill that has been more misrepresented and more misunderstood than this particular bill. I want to tell you some of the things this bill does not do.

This bill does not authorize the operation of plants, factories, or other productive facilities by the Federal Government.

The bill does not guarantee specific jobs to specific workers.

The bill does not authorize the compulsory assignment of workers to jobs.

The bill does not authorize changes in existing procedures on appropriations. That is the part Mr. Cochran called our attention to just now. That is section 8 (c).

The bill does not provide Government guaranties of individual markets or prices, or profits.

The bill does not authorize Government determination of prices or wages.

The bill does not authorize Government determination of total output or of production quotas.

The bill does not authorize a disclosure of trade secrets or other information the publication of which might be harmful or have a harmful effect upon the firm or person supplying such information.

I think that is the only difference between the House bill and the Senate bill. We added on to our bill, H. R. 2202, a provision, which is subsection (e) of H, which says:

The disclosure of trade secrets or other information, the publication of which might have a harmful effect upon the firm or persons supplying such information shall not be called for or authorized.

The CHAIRMAN. That provision is not in the Senate bill?

Mr. PATMAN. That provision is not in the Senate bill, no; but we felt people should not be required to disclose trade secrets or information involving their business unless they were protected.

The CHAIRMAN. If the Senate bill were to become law, if the investigators who were making up this budget to present to the President, would find I had some trade secret that gave me an advantage over my competitors, under the Senate bill that would be made public?

Mr. PATMAN. It would not necessarily be made public, but there is no prohibition against it. But the House bill carries that prohibition to protect business. I think it is a wise provision. That was the only difference we had when we met with the Senators to agree on a bill. That was the only thing we put in our bill that was not contained in the Senate bill. I think it is a very helpful provision.

Mr. JUDD. Mr. Patman, you just quoted from some document. What is it?

Mr. PATMAN. I quoted from the unrevised hearings before the Senate, part I, page 75.

Mr. JUDD. And when you said this bill doesn't do certain things, you mean the Senate bill?

Mr. PATMAN. I meant the House bill. This is part of my testimony before the Senate committee. I was just reading it because I had it in summary form. And I want to invite your attention, gentlemen, if you please, to the hearings before the Senate. I have some charts here, but I have no one to help me handle them so I will not attempt to show them.

Mr. JUDD. May we get a copy of these hearings for our benefit?

Mr. PATMAN. There are none now available.

The CHAIRMAN. We called the Senate committee and they haven't printed the revised hearings. They just printed them from day to day.

Mr. PATMAN. And you couldn't get one anywhere. They are not available. There were a thousand copies printed and I had two copies and I let one of them go. We tried to get it replaced and were not able to do so. I have just this one copy, which has all these charts in it, and I invite your attention especially to the testimony of Senator O'Mahoney. Of course, the testimony of the other Senators is there, and I don't mean to say their testimony isn't good, but Senator O'Mahoney happened to have some very impressive charts in his testimony that I want to invite to your attention especially.

Mr. JUDD. You are inviting our attention to something you cannot furnish, you say.

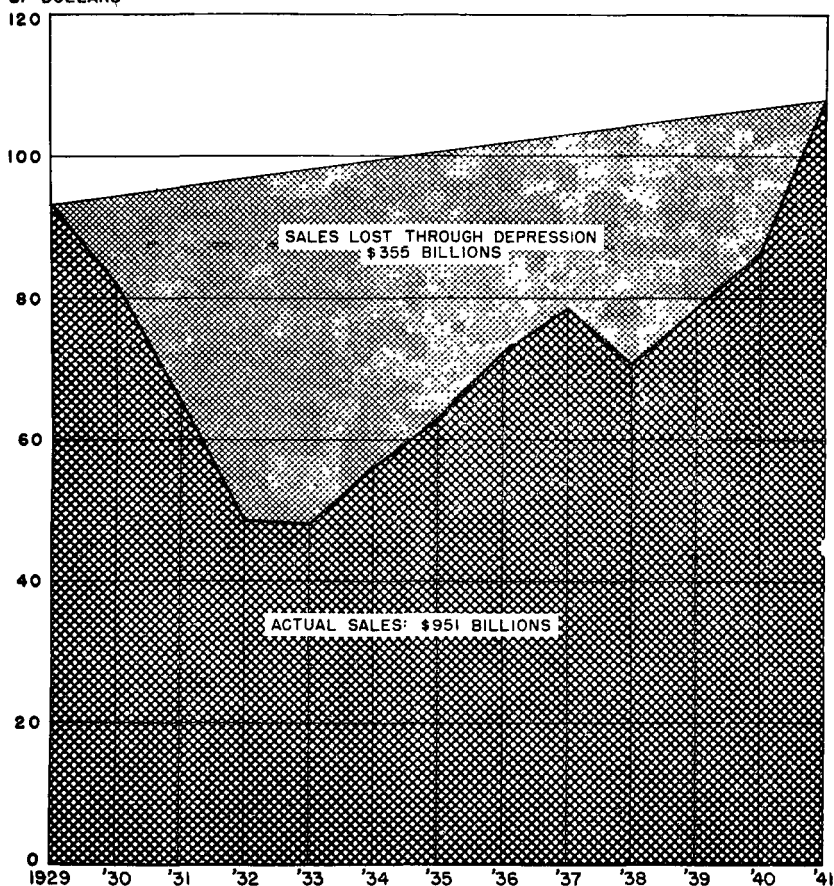
Mr. PATMAN. You will get it.

The CHAIRMAN. They are printing the complete record.

Mr. PATMAN. In one of these charts it shows from 1929 to 1941, that by reason of this depression the sales loss amounted to \$355,000,000. That is the amount of the sales loss.

THE COST OF UNEMPLOYMENT BUSINESS SALES 1929 - 1941

BILLIONS
OF DOLLARS

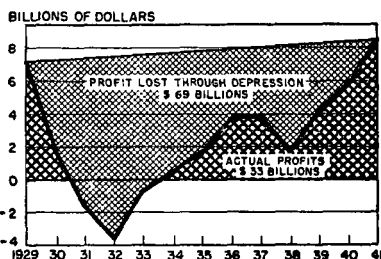


THE DEPRESSION COST BUSINESS 355 BILLION DOLLARS IN SALES

D D 45-584

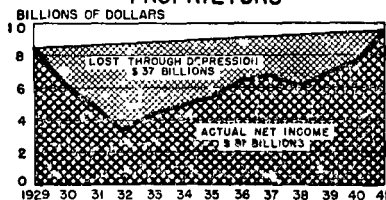
THE COST OF UNEMPLOYMENT

CORPORATE PROFITS, 1929-1941



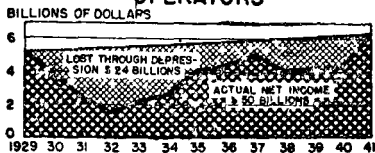
THE DEPRESSION COST CORPORATIONS \$69 BILLIONS OF POTENTIAL PROFITS

NET INCOME OF NON-FARM PROPRIETORS



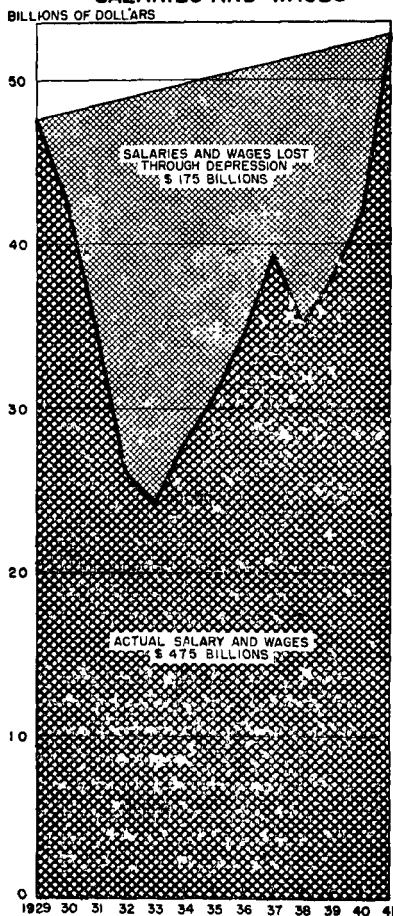
THE DEPRESSION COST NON-FARM PROPRIETORS \$37 BILLIONS OF POTENTIAL NET INCOME

NET INCOME OF FARM OPERATORS

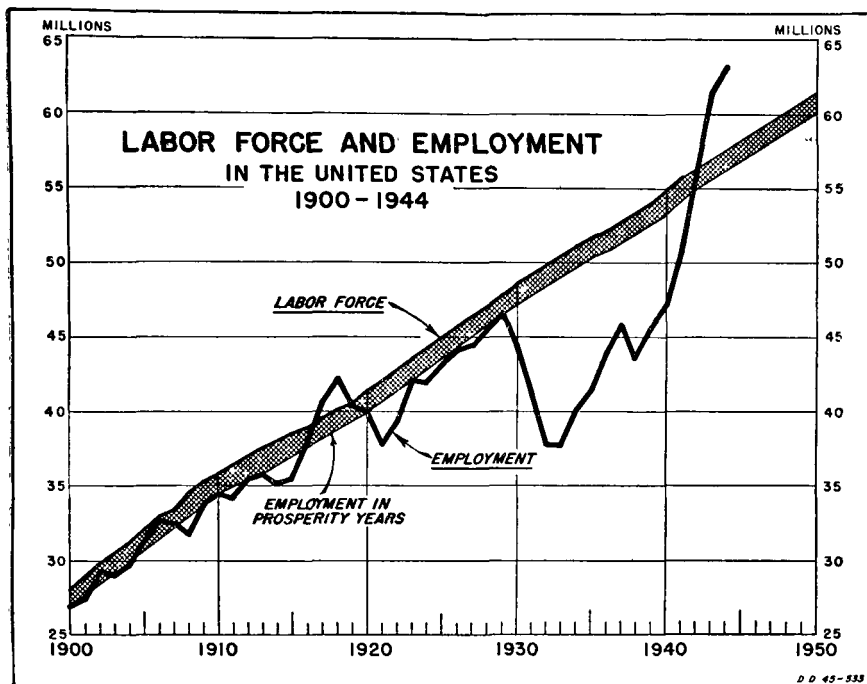


THE DEPRESSION COST FARM OPERATORS \$24 BILLIONS OF POTENTIAL INCOME

SALARIES AND WAGES



THE DEPRESSION COST WAGE-AND-SALARY WORKERS \$175 BILLIONS OF POTENTIAL INCOME



This chart on the left, labor force and employment, shows the standing of the employment and the labor force at all times since 1900, and you will notice the general trend, of course, has been upward. That is a matter of general knowledge. And employment, in prosperity years, of course, went above the normal labor force. But in time of depression the line went down, as in 1932 when so many people were out of work.

That brings me to another thing: I was here in 1932 when I saw 20,000 men assemble here in Washington. They were not law violators; they were law-abiding citizens, peaceable and law abiding. They had nothing to do in their home counties and cities. If anyone said, "Come on, let's go to Washington," they would just join together, get on freight trains and come to Washington.

Mr. HOFFMAN. Mr. Patman, while you are referring to that; at the present time, according to the press this morning, there are 400,000 law-abiding citizens where there are jobs available who apparently don't want to work. In connection with this full employment, have you any plan to get those men back to work?

Mr. PATMAN. This is not a strike measure in any way. It doesn't involve any quick way of solving any of the economic ills.

Mr. HOFFMAN. Now, wait a minute. You were speaking about these men who can't get jobs. In Michigan today there are many employers who can't get workers. And while we are talking about full employment, have you any plan whereby those who apparently don't want to work now can be persuaded, peacefully I mean, of course, by inducement, to go to work?

Mr. PATMAN. Of course, the object of this bill is not to do that. The object of this bill is to give people who are anxious, willing, and able to work an opportunity to do so. It doesn't deal with strikes.

Mr. HOFFMAN. One of the objectives of the bill is full, continuous employment?

Mr. PATMAN. That is right.

Mr. HOFFMAN. You cannot have continuous employment if, periodically, a large number of men who are employed in a particular plant will not work. Isn't it necessary, if you are going to have full employment to have some provision or some plan which will induce those people to work?

Mr. PATMAN. Well, now, we are not trying to make people work.

Mr. HOFFMAN. I know, but you are trying to make people provide jobs.

Mr. PATMAN. We are not trying to settle strikes. We are trying to give people who are able to work, who are anxious to work, and who are seeking work an opportunity to make a living.

Mr. HOFFMAN. Do you think you can have continuous employment; that you or I, for example, can give a man a steady job if 2 days in the week he doesn't want to work or won't work? How can any large corporation make available hundreds of thousands of jobs in a period when the men will not work?

Mr. PATMAN. We are not trying to make people work.

Mr. HOFFMAN. I know. You said that.

Mr. PATMAN. We are trying to create a climate here whereby they can make a living if they want to. If they are not going to do that, we are not going to compel them. We are not going to try to break any strikes. We are trying to create an atmosphere here in America that will help, not the people you are talking about, the people who don't want to work—we are trying to help the people who want to work.

Mr. HOFFMAN. Mr. Patman—

Mr. RICH. Now, Mr. Patman—

Mr. HOFFMAN. We all want men to have opportunity to work continuously, do we not?

Mr. PATMAN. Yes. He doesn't have that opportunity now.

Mr. HOFFMAN. Under your plan you want someone to create and keep available jobs. Do you think that anyone, or any organization, can create jobs for Monday, Tuesday, and Wednesday, when the men won't work on Thursday, Friday, and Saturday?

Mr. PATMAN. We are not going to be so specific as that. This national planning doesn't take care of any Monday, Tuesday, or Wednesday. It is to insure, over a period of years, the person who wants to work will have an opportunity to work and make a living for himself and his family. That is all it is for.

Mr. HOFFMAN. And I agree with you on that.

Mr. PATMAN. That is the only fellow we are working for, the fellow who wants to work. We are not working for the fellow who doesn't want to work.

Mr. HOFFMAN. Are you going to have this plan for the fellow who wants to work 2, 3, or 5 days a week and lay off the rest of the time?

Mr. PATMAN. We are not going to be so specific.

Mr. HOFFMAN. That is a practical question. I can see that you don't know the answer to it.

Mr. PATMAN. If we attempted to deal with details like that we would never pass a law here. You can't deal with details like that. We want continuous employment for people who are willing and anxious to work and who are seeking work. That is the class we are working for. We are not working for the fellow who don't want to work.

Mr. RICH. Mr. Patman, right at the present time in this country there are thousands and thousands of men who want work in those industries that are closed down by strikes, and if this bill is to accomplish full employment, as you say, to establish a national policy and program for guaranteed, continuous employment in the free competitive economy, you certainly have a job on your hands.

(At this point there was discussion that was ordered not to be recorded.)

Mr. WHITTINGTON. I move that we recess until 1:30.

Mr. COCHRAN. The Chair will entertain a motion that we recess until half past one.

Mr. JUDD. I make that motion.

(The motion was carried, and the committee recessed at 10:55 a. m. to 1:30 p. m.)

AFTER RECESS

The committee reconvened pursuant to the taking of the recess, Hon. Carter Manasco (chairman) presiding.

The CHAIRMAN. The committee will come to order.

Mr. Patman, I had to leave before the proceedings were concluded before the morning recess, and I do not know just what has occurred. Had you completed your statement?

Mr. PATMAN. I had completed it. Some of the members wanted to ask me some questions. Among them there were some members who are absent now. I wonder if it would be all right if Mr. Outland went ahead and, after he gets through, you can interrogate both of us.

The CHAIRMAN. Do you have a prepared statement, Mr. Outland.

STATEMENT OF HON. GEORGE E. OUTLAND, MEMBER OF CONGRESS FROM CALIFORNIA, CHAIRMAN, STEERING COMMITTEE ON H. R. 2202

Mr. OUTLAND. No; I do not, although I would like to ask the consent of the committee to insert later in my remarks certain statements that I have already made on this.

The CHAIRMAN. Without objection it is so ordered.

Mr. RICH. Your own statements?

Mr. OUTLAND. My own statements; yes, sir.

I think, Mr. Chairman and members of the committee, that first of all I should state why I am appearing before this committee on this particular bill. While personally I am wholeheartedly in favor of it, the specific reason for my appearance here is that I am the chairman of the so-called House steering committee on H. R. 2202. That steering committee is made up of Members of the House of Representatives of both political parties who are wholeheartedly in favor of the bill. That number now is 112, and it has been growing on and off ever since it was originally started back in June of this year. That steering

committee has an executive group of 11 members, and from that group of 11 members I was asked to serve as the permanent chairman, and I am serving in that capacity along with Mr. Patman, the author of the bill.

I think in fairness to the other cosponsors this should be stated, namely, that several members of that committee have reserved the right, themselves, to work for amendments which they think will improve the bill. That is their privilege, and they have, some of them, in their letters of acceptance, stated that they wish to reserve that right.

On the other hand there are certain points which I think are essential. I made a statement on the floor of the House the week before last at which time I pointed out certain basic principles upon which it was felt that we as cosponsors could not make any compromise whatsoever. I think that it might be well if I briefly summarized those basic principles.

In the first place, the bill states that it is the right of individual Americans who are able to work and who are seeking work to useful, remunerative, regular, and full-time employment. It seems to me that that is a right. I notice the Senate has changed the language to a certain extent and states the "opportunity" rather than a right. I am not an attorney. I cannot give the legal technicalities between the two. I think the meaning of them is inherently the same; that is, the chance for an American who is willing to work and who is capable of working to have the opportunity for a job here in this country.

Mr. HENRY. Would you add to that, "and who seeks work"?

Mr. OUTLAND. I should certainly have that as a part of it, by all means. I said "who is willing to work."

Mr. RICH. In the first place, this steering committee of which you are a member is interested in the bill H. R. 2202.

Mr. OUTLAND. That is right.

Mr. RICH. A bill to establish a national policy and program for assuring continuing full employment in a free competitive economy, through the concerted efforts of industry, agriculture, labor, State and local governments, and the Federal Government.

Mr. OUTLAND. That is correct.

Mr. RICH. If you had just that preamble, do you not think you could get 435 Members of Congress to join the organization?

Mr. OUTLAND. You mean—

Mr. RICH. If you eliminate the bill and put the preamble out, do you not think you would get every Member of Congress?

Mr. OUTLAND. If I may say so, I think you can get any Member of Congress to sign any pious expression that is brought out. We are all against sin, but sometimes we are not willing to take any specific steps to stop sin. We are all against unemployment, but sometimes we are not willing to take any concrete steps in the stopping of unemployment.

Mr. RICH. Right today, you say you want to give men jobs who are able to work, who are seeking work. You want to give them work. You have that opportunity right now in this country. Thousands of men who would like to work cannot do so because of the fact that they are having strikes, led by people whom some of them do not want to follow, yet they are compelled to follow them on account of the laws

that we have put on the books, and they cannot get a job now if they want to. They are afraid to go and ask for jobs. Do you not think that that condition ought to be changed?

Mr. OUTLAND. I think if we are going to start into a debate in this committee upon the merits involved in the strikes that are current in the United States today we never would get down to a discussion of the basic issues of this bill. This particular measure, if I may say so, is not one which passes upon the principle of collective bargaining. It is my understanding that the principle of collective bargaining has been established once and for all in the laws of the United States.

Now, there may be changes needed in those laws to bring about greater equity. There may be changes needed to bring about greater protection for the American public. On that I am not certain, but it seems to me if we are going to be drawn into, in this committee, a discussion of the principles of collective bargaining, we will never get down to the principles of this bill.

Mr. RICH. I am only referring to the statement that you made that you want a bill that will give work to everybody that is seeking work who wants that opportunity, and I am for that, too, but I think that while we have the opportunity and jobs here in this country, men cannot get jobs. They are afraid to take jobs; they have even gone so far as to try to leave one industry and go to another to get a job because they were not permitted to work in the industry where they could get a job. Is that not wrong?

Mr. OUTLAND. I would say, in response to that—I would repeat, I should say—what I tried to state a moment ago, that the merits or the defects in the present laws governing collective bargaining constitute an entirely different issue with which this bill is not concerned, and it seems to me that we are going to be drawn into a great many bypaths if we start in on that. I might go even further. I know many people who are interested in particular groups among the Nation's workers. I know those who are interested in particular segments who are going to, if their present plans are followed through, ask for certain amendments on those particular things.

It seems to me, Mr. Chairman, that those are all issues to be taken care of in separate legislation, which I was going to come to in a few moments. This particular bill in itself is not going to solve unemployment. It is only one step, but it is an essential step, and I was trying to point out the points on declaration of policy upon which I thought we could not make compromise, and I was just stating that that particular point of the right to work was one.

A second general principle of the bill upon which the sponsors feel very strongly is that there is a definite governmental responsibility to assist in meeting the problem of unemployment. This bill, gentlemen, is not a WPA bill. It is not a WPA bill; it is not a make-work bill as such. If you read the declaration of policy, you will notice that in section (a) it states that it is the policy of the United States to foster free competitive enterprise and the investment of private capital in trade and commerce and the development of the natural resources of the United States.

You will notice on page 1, on page 2, on pages 3, 4, and 5, definite adherence to the importance of finding these jobs, encouraging these jobs, within the framework of our present type of economic system.

But what the bill does state, and the principle it seems to me is basic, is that after all encouragement has been given, after the atmosphere has been made favorable, to use my colleague, Mr. Patman's, language of this morning, then, if after those steps have been taken, there are still large numbers of Americans who are out of work, who are looking for work and who are capable of working, then the responsibility lies with the Government to see that opportunities are made available to them.

I think we might as well face that very frankly. I do not see any point to dodging it, and I know all of us, having seen some of the ravages of the last depression, agree upon the necessity for reducing unemployment. I do think there is room for honest disagreement as to what the best methods of meeting the problem are.

Mr. RICH. Now, Mr. Outland, if you create these jobs by any aid, whether it is private enterprise or whether it is the Federal Government or whether it is the State governments or some municipality creating these jobs, and then men are prohibited from working, what are you going to do? What will you do about that? Is that not just as great a sin as not to have a job?

Mr. OUTLAND. I tried to indicate a few moments ago—

Mr. RICH. It is a fundamental policy, and it is a fundamental principle that ought to be inculcated in your bill; if you create the jobs and then men are prohibited from taking the jobs, something should be done. Do you not believe that?

Mr. OUTLAND. I think that if there is going to be any legislation enacted in the field of labor relations, that that should be done by entirely separate measure and not included in this bill, which is essentially an enabling act.

Mr. RICH. I am in business, and we create a job, and then for some reason I want to say to the people that are working in that industry "am am going to shut it down." I have a moral responsibility to give those people jobs, and I ought not to be allowed to shut that down unless I have a real, valid reason. Do you not agree with that?

The CHAIRMAN. Suppose we let Dr. Outland proceed with his statement without interruption, and then let the committee ask questions in order. I think it will expedite the session.

Mr. OUTLAND. Recapitulating the points I have been trying to make, the first was the essential principle stated in the bill of the right to work; the second, the principle that there is governmental responsibility to assist. We do not—none of us, I think, in this committee, or no Member of the House, is looking for legislation which is going to violently change what we term the American system of free enterprise. I am not, and I would disavow anybody who ever used by name in that connection. But I do think that for the preservation of the American system, which we cherish, a measure of this kind is essential. I think the Government does have a responsibility for helping. I think the Government does have a responsibility for bolstering our system, and unless we adhere to a completely laissez faire philosophy of economic life, unless we want to go back to the time when we had on child-labor laws or no labor standards or no maximum hours or minimum wages. I think we have to admit that there is a certain responsibility.

How far that responsibility goes is a matter of opinion. But in my judgment, and I think I speak for most members of our steering committee, this statement of Government responsibility, of policy, in helping to provide jobs, is a basic principle upon which there can be no compromise.

The third principle is that which is inherent in the mechanism that is established. This bill provides, as you will note on page 3, section 3, for a national production and employment budget. That national production and employment budget, to be set forth by the President each year and then to be discussed by a joint committee of the House and Senate which would be established by this measure, seems to be a considerable step forward in over-all planning, over-all estimating of our economic picture. We have a program of taxation over here, we have a program of expenditure over there. We have State governments making certain estimates of what they are going to do; we have the Federal Government frequently making estimates without taking cognizance of what the others have been. I think a production and employment budget such as is called for in this bill, one which would definitely rest in the hands of committees of Congress, is a step forward in meeting the many economic problems which are on our hands right now and which are going to become much more acute during the next few years.

In that connection, Mr. Chairman, there was a point raised this morning which I am not sure was completely clarified, and if the members of the committee have a copy of H. R. 2202 before them, I call their attention, on page 12, section 8, subsection (d), to a point which I think answers the question that was asked of Mr. Patman. I quote: "Nothing in this act shall be construed as calling for or authorizing" not only subsection (c), which states "any change in the existing procedures on appropriations;" but (d), which reads:

the carrying out of, or any appropriation for, any program set forth in the National Budget, unless such program shall have been authorized by provisions of law other than this Act.

I think that that probably answers the question that was raised this morning, if I understood it correctly.

Mr. JUDD. That is, it would not rule out——

Mr. OUTLAND. It would not be an authorizing act for appropriations.

Mr. JUDD. And it would leave in order a point of order against appropriations not otherwise authorized.

Mr. OUTLAND. Yes; this bill could not be construed in itself as authorizing appropriations, yet there seemed to be some discussion on that point this morning.

Those three basic principles, Mr. Chairman, seem to me to be things upon which compromise, so far as this bill is concerned, is impossible. On minor points, certainly, changes perhaps can and should be made. The Senate has added clarifying language in several places. It has added clarifying language, for example, in section 2. The committee might be interested in that. It would come in H. R. 2202 at the end of (f), I believe. The Senate language reads:

Such program shall, among other things, provide for an income for the aged sufficient to enable them to maintain a decent and healthful standard of living, and promote the retirement from the labor force of the older citizens.

Whether that language would meet with the approval of this committee I do not know, but I think that that type of change is a constructive one, and when suggestions like that are brought forward that the committee might be interested in considering them.

There is another point, Mr. Chairman, that I implied a moment ago that I think ought to be stressed, and that is that this bill is by no means a panacea. It is not a cure-all. It has been given a tremendous amount of publicity. Those of us who have favored it and those who oppose it have perhaps not seen it in proper perspective. The passing of it would certainly not solve unemployment in the United States. The passing of it, on the other hand, certainly would not dig the downfall of the Republic in any way. It is an enabling act only. Employment in this Nation is bound in with our program of taxation, with our program of disposal of surplus goods, with our policies regarding monopoly, with our tariff and foreign trade policies. It is bound in with dozens of other parts of our American governmental system, and I think it would be foolish for anyone advocating the bill to overestimate what it will do. I think it would be foolish for anyone opposing the bill to overestimate what it would do.

In my judgment, and I think again I speak for the Members of our House steering committee, it is only one step, but it is a very important first step, because of the policies which Congress would establish and because of the machinery which would be set up in the democratic fashion to carry through those particular policies. The enactment of this measure, I think, would be very encouraging and very heartening to millions of American people who went through the last depression, many of whom are fearing what is going to be happening, what may happen I should say, during the next few months.

I might call Mr. Rich's attention to something which is my own impression. I have nothing to back this up, sir, but it would be my contention that one cause for a great deal of industrial strife we are going through now, one cause in producing the strikes which you were mentioning a moment ago, is the tremendous uncertainty and the tremendous fear of loss of jobs in the future which many people, especially in our cities, have, and there is a fear of what is going to come. There is the fear of another crash such as we had before and there is a tendency to attempt to gain the security, sometimes at the expense of another group, and we all deprecate that; but I think that on the other hand we probably understand the reason for that.

Mr. RICH. Mr. Outland, I can readily appreciate how anyone who has a job and might be thrown out, if he is supporting a family or is responsible to someone for their upkeep, certainly does not want to lose a job, and I would be the last one who would want to interfere with people losing their jobs. But I could not help but call to your attention the fact that today so many men want to work and they are prohibited from working, and I think it is as much the duty of Congress to try to correct that as it is to see that more jobs are created. When they have jobs and they cannot work we are just as responsible to the American people as when they have not got a job, to see that they get a job. I am equally interested in both.

Mr. OUTLAND. Mr. Chairman, I was going to point out in my statement some of the things that the bill does not do. Mr. Patman this morning enumerated those, and I do not wish to take the time

of the committee in duplicating them. I think there is one point, however, that it might be well to mention, and that is that the bill does not make any statement about the number of jobs. We have heard statements as to how many jobs may or may not be necessary. I doubt that any of us knows sufficient about economic conditions of America to set up a figure of 55,000,000 jobs or 60,000,000 jobs or 65,000,000. I think estimates can be made, and perhaps fairly accurately made, but this bill does not mention a specific number. It simply refers to those who wish to work and are capable of working, and I think when we view the over-all employment picture in America that it may be considered more realistic not to attempt to narrow it down to a specific figure and then be put in a position of either defending or attacking that figure when we have only rough estimates on which to go.

Two or three more words, Mr. Chairman, and I will have completed my statement and shall be glad to answer questions anyone may wish to ask.

The principal reason why I am cosponsor of this bill, and I think the principal reason why a great many other people are cosponsors of it, is because it appears to be not in any way an attack upon our American system, but to be in harmony with it. To me democracy is something much more than just going to the ballot and voting on election day. We have social democracy and educational and economic, or at least we are striving for it, and this bill, in my judgment, is a definite step forward in the attaining of true economic democracy in America, and I would like to state just what I mean, and I will be very brief.

In the first place, I think democracy implies the importance and the sacredness, if you wish to use that term, of the individual. A foreign philosophy does not say that. A Nazist or Fascist philosophy implies that the individual exists only to serve the State. We in this country say that the State exists in order to make life better for the individual, and I would say that is true in economic life, and I would say that this bill would be in harmony with it.

In the second place, the concept of democracy to me implies an equality of individual opportunity, and that opportunity, I think, regardless of an individual's nationality or religion or sex or background, and that again is true. That does not mean \$60 every Saturday for everybody; it does not mean a tearing down of our system by a plan of sharing the wealth; it does not mean a dividing up of American land among everybody that wants it. It means the concept of equality of opportunity, opportunity for an individual to develop the capacities and talents and abilities with which he has been endowed; and a bill of this nature, which grants equality of opportunity in employment, seems to be right in harmony with our democratic ideals and to be a step forward in putting those ideals into practice.

Then I think a third part of democracy is that of peaceful, orderly change. We do not like the way of revolution in this country. We like the way of legal change. This bill, through bringing about certain policies and procedures, through congressional action, through democratic ways, again is in harmony with those concepts. For those reasons I think that the passing of this bill is extremely important.

I could go on and try to point out its importance to particular groups—to the veterans, to business people, to farms—and I should like to have permission, Mr Chairman, to include as part of my remarks some of my points mentioned on that before the Senate committee. I do not wish to burden this committee with reading that statement.

The CHAIRMAN. Without objection it is so ordered.

Mr. OUTLAND. I should also like, Mr. Chairman, to include in my testimony the list of the members of the steering committee for which I am speaking today.

The CHAIRMAN. Without objection, that is so ordered.

Mr. CHURCH. At this place in the record.

The CHAIRMAN. That is right.

Mr. OUTLAND. I should have asked permission to include the steering committee members first, but the other testimony at this place.

The CHAIRMAN. Yes.

(The matter referred to is as follows:)

SPONSORS OF H. R. 2202

Alabama :	Indiana :
Patrick, Luther.	Madden, R. J.
Arizona :	Kentucky :
Harless, Richard.	Bates, Joe B.
Murdock, John R.	Clements, Earle C.
California :	Massachusetts :
Douglas, Helen Gahagan.	Lane, Thomas J.
Doyle, Clyde.	Michigan :
Engle, Clair.	Lesinski, John.
Havener, Franck R.	Dingell, John D.
Healy, Ned R.	Hook, Frank E.
Holifield, Chet.	O'Brien, George D.
Izac, Ed. V.	Rabaut, Louis C.
King, Cecil R.	Sadowski, G. G.
McDonough, Gordon.	Minnesota :
Miller, G. P.	Gallagher, Wm. J.
Outland, George E.	Starkey, Frank T.
Patterson, E. E.	Missouri :
Sheppard, Harry R.	Carnahan, A. S. J.
Tolan, John H.	Cochran, John J.
Voorhis, Jerry.	Sullivan, John B.
Welch, Richard J.	Montana :
Connecticut :	Mansfield, Mike.
Geelan, James P.	New Jersey :
Kopplemann, H. P.	Hart, E. J.
Luce, Clare Boothe.	Norton, Mary T.
Ryter, Joseph F.	Wolverton, Chas. A.
Woodhouse, Chase Going.	New York :
Delaware :	Baldwin, Jos. Clark.
Traynor, Phillip A.	Barry, William B.
Illinois :	Buckley, Chas. A.
Douglas, Emily Taft.	Byrne, William T.
Dawson, William L.	Celler, Emanuel.
Gordon, Thomas S.	Delaney, James J.
Gorski, Martin.	Dickstein, Samuel.
Kelly, Edward A.	Marcantonio, Vito.
Link, W. W.	Pfeifer, Joseph L.
O'Brien, Thomas J.	Powell, Adam C., Jr.
Price, Melvin.	Quinn, Peter A.
Resa, A. J.	Rayfiel, Leo F.
Rowan, W. A.	Rogers, G. F.
Sabath, A. J.	Rooney, John J.
	Torrens, J. H.

SPONSORS OF H. R. 2202—Continued

Nevada :

Bunker, Berkeley L.

Ohio :

Bender, George H.

Brehm, Walter E.

Gardner, Edward J.

Huber, Walter B.

Kirwan, Michael J.

Ramey, Homer A.

Thom, William R.

Feighan, Michael A.

Oklahoma :

Stigler, W. G.

Wickersham, Victor.

Oregon :

Angell, Homer D.

Pennsylvania :

Barrett, William A.

Bradley, Michael J.

Eberharter, Herman P.

Flood, Daniel J.

Granahan, William T.

Green, William J., Jr.

Hoch, Daniel K.

Kelley, Augustine B.

McGlinchey, Herbert J.

Morgan, Thomas E.

Murphy, John.

Weiss, Samuel A.

Rhode Island :

Fogarty, John E.

Forand, Aime J.

Tennessee :

Gore, Albert.

Kefauver, Estes.

Priest, J. Percy.

Texas :

Combs, J. M.

Patman, Wright.

Utah :

Granger, W. K.

Robinson, J. Will.

Virginia :

Flannagan, John W.

Washington :

Coffee, John M.

DeLacy, Hugh D.

Jackson, Henry M.

Savage, Charles R.

West Virginia :

Bailey, Cleveland M.

Hedrick, E. H.

Kee, John.

Neely, M. M.

Randolph, Jennings.

Wisconsin :

Biemiller, Andrew J.

O'Konski, Alvin E.

Mr. OUTLAND. Finally, I think this bill is important because it is in harmony with our whole policy of encouraging domestic and international security. The time is gone, I think, when one country can be prosperous and all countries around it can be in degradation, and one of the biggest guaranties of world peace is an America where people are working and where we do not have long relief rolls. To me the bill is important for that.

I have heard governmental planning on a scope as wide as is implied in this bill sometimes referred to as the road to serfdom. I got eight copies of a reprint of an article of that nature which recently appeared in a national magazine. To me, if America ever goes down the road to serfdom it will not be because the people of the Government planned it; it will be because you have 20 millions of American workers walking the streets looking for jobs, and because the people of the Government failed to take the necessary steps to meet that impending crisis.

That concludes my statement.

The CHAIRMAN. We thank you.

Mr. RICH. There is one question I would like to ask Mr. Outland right now, based upon the statement he made. Do you not think the people in America today have the equal opportunity to go into business, that they have an equal opportunity to get a job? There is no reason why one man is given preference over another in that respect, is there?

Mr. OUTLAND. I think there are a great many barriers that stand in the way of equality of job opportunity, Mr. Rich. I think there are varying rates in some areas; I think there are barriers of religion; I think there are barriers of national background; and I also think there are barriers of an economic nature. Where you have such things as monopolistic control you have a varying equality of opportunity.

Where you have varying educational opportunity you have barriers of economic opportunity.

The CHAIRMAN. Suppose we hold the questions. A roll call has been called, not a quorum call.

Mr. RICH. The opportunities given to every individual in every State are the same; at least I think they are the same to all peoples of that State.

Mr. OUTLAND. I do not think they are, but I will be glad to discuss it with you when you come back.

Mr. RICH. I do not know of any reason why they are not.

(A brief recess was taken.)

The CHAIRMAN. We have with us Mr. Harold D. Smith, Director of the Bureau of the Budget, who wishes to testify. Mr. Smith, you have a prepared statement. You may proceed to read it.

STATEMENT OF HAROLD D. SMITH, DIRECTOR OF THE BUDGET

Mr. SMITH. Mr. Chairman and members of the committee; I am very glad that I have this opportunity to appear before this committee and to discuss with you some aspects of a piece of legislation that I believe is of historic importance. I address myself to the full employment bill as it is before you in H. R. 2202. Since a full employment bill was first presented for discussion 10 months ago by Senators Murray and Truman, I have become more and more convinced of the urgent need for this kind of legislation. And in watching the full employment bill develop and improve as a result of continual discussion in Congress and throughout the country, I have likewise become more and more convinced that the bill, particularly as revised by the Senate Committee on Banking and Currency, can fill this need.

I have discussed details of the issues involved in this legislation in various letters addressed to Chairman Manasco, to Senators Murray and Wagner, and also in my testimony before the Senate Subcommittee on Full Employment. All that material is on record. Today I propose to concentrate on the fundamentals of this bill rather than on the details.

The bill, I believe, can be summarized in two sentences:

1. The bill proposes that the Federal Government acknowledge that it has the responsibility to provide opportunities for full employment through private enterprise with whatever Government support is needed.

2. The bill provides the legislative and executive mechanism for the formulation of policies designed to assure full employment opportunities.

I

The acknowledgement of the Government's responsibility to assure opportunities for full employment gives statutory expression to a demand that I believe is in the mind of practically every American, and particularly in the mind of every war veteran. It expresses in legislation the declarations of both Presidential candidates in the last election, and it gives the world assurance that we intend to carry out a pledge expressed in the Charter of the United Nations.

We have made tremendous progress in building up our productive capacity, in improving our technical efficiency, and in raising our

standard of living. But we have not yet succeeded in overcoming the economic insecurity which has attended that progress. Our history has been checkered with wasteful and destructive slumps of production and employment. In recent history we have experienced the speculative boom and the subsequent collapse following the First World War. We have seen the new era prosperity that gave rise to a speculative boom and subsequently deteriorated into the worst depression in our history. We fought and have still to win our battle against wartime inflation. The job before us now is to avoid both the excesses of postwar speculation on one hand and depression and mass unemployment on the other.

In the past people have accepted the ups and downs in employment and production, much as people in a volcanic area accept periodic earthquakes and expect their Government to bring relief after the damage has been done. That attitude has now changed and is gone. The ups and downs in employment and production are no longer regarded as natural catastrophes.

They are recognized as man-made, and the Government is held responsible for them. We have learned that when a market exists for the sale of all we can produce, we will produce it. The people will not be satisfied with anything short of full employment in peacetime. We have in this country the resources, the managerial know-how, the skill and instinct for work. If any one thing is destructive to the pursuit of happiness, it is the frustration that follows from the lack of opportunities to use these gifts and to benefit from them.

There has been much discussion as to whether people have the right to work, or whether they are entitled to work, or whether the Government should guarantee opportunities to earn a living, or assure such opportunities. These are fine distinctions. But one thing is clear: The people of this country hold the Government fully responsible for action or lack of action that fails to assure everybody an opportunity to earn a decent living.

The bill declares that it is the policy of the Government to assure full employment opportunities through private enterprise with whatever support by Government is needed. This also expresses the wishes of the people. They want useful and remunerative jobs without having the Government tell the individual where to work, how to produce, or how to use his money. The people of this country have faith that we can solve our economic problems without Government regimentation.

I believe that the bill, in accepting the Government's responsibility, simply responds to a popular demand.

II

The second objective of the bill is to provide a legislative and administrative mechanism for the formulation of policies designed to assure full employment. I regard this bill as a logical further step in a development that began with the Budget and Accounting Act of 1921. Prior to the Budget and Accounting Act appropriations for the various Government agencies were considered separately by several committees of Congress. There was no possibility of formulating and reviewing a consistent program for the Federal establishment as a whole. The Budget and Accounting Act gave us such a procedure.

At that time Federal budgets amounted to about \$5,000,000,000. They will be several times that in the postwar years. Expenditures and revenues of a 25-billion-dollar magnitude, and the management of a 275-billion-dollar debt, must have a profound effect on our economy. Not because of any specific theory or ideology, but simply because of the size of present-day Federal operations, the Budget must be considered with all its impact upon the national economy.

The bill before you establishes a procedure for presenting to Congress the Federal Budget in its general economic setting. It requires the President to transmit to Congress not only the Federal Budget, but also the Nation's budget of which the Federal Budget is a part. The Budget and Accounting Act required the President to transmit such estimates and recommendations concerning Government programs as were then held necessary for the work of the appropriations and revenue committees. This bill provides that Congress is to be furnished all the economic data necessary for an adequate appraisal of the President's recommendations for his entire economic and fiscal program.

The bill also requires the President to recommend such legislation pertaining to economic and fiscal policies as will be needed in order to assure full employment opportunities. Elements of fiscal and economic legislation are still discussed and acted upon today in the same way as appropriations were discussed and acted upon before passage of the Budget and Accounting Act. Pieces of legislation too often have to be considered without sufficient regard for the consistency of the Government program as a whole.

A great variety of Government activities and policies influence business and employment conditions every day. I have submitted to the Senate Committee on Banking and Currency a catalog of activities of the Federal Government—a "tool chest" of Government policies—which directly or indirectly affect the size of the active labor force, productivity, individual consumption, individual and corporate savings, business investments, and foreign trade. Looking over this list you will probably be impressed as much as I am by the fact that the Federal Government has very powerful tools with which it, directly or indirectly, can support employment and production policies—if they are all applied in a well-coordinated manner.

A major objective of this bill is to bring about a better coordination of all Government policies. It requires the President to transmit a coordinated program annually in the national budget, and establishes a Joint Congressional Committee on the National Budget to consider the program as a whole and to make general recommendations before various parts of it go to the committees concerned. The establishment of a joint committee will, in my judgment, greatly facilitate adoption of a unified legislative program.

Some critics say that no law is needed to authorize the President to transmit estimates of the Nation's Budget and recommendations for a coordinated program. They say that the President can transmit and, as a matter of fact, has transmitted estimates of the Nation's Budget and policy recommendations under existing power and authority. It is true that recent Presidential Budget messages have moved in the direction of the requirements of this bill. This proves, not that the bill is superfluous, but that it is in line with present

needs and developments. The appraisals and recommendations required by this bill are of such importance that, in my judgment, they should be transmitted not merely at the discretion of the President, but should become part of his statutory responsibility.

The procedure established by this bill simply provides what is demanded by good government in our time. It assures that a coherent program will be transmitted to Congress based on all pertinent facts and estimates. It gives Congress an opportunity to survey the Government's program in all its economic implications. This, I believe, is just what is needed today.

III

Now that I have stated what I think is, in essence, the content of the bill, let me say briefly what I believe is not in the bill.

First of all, "full employment opportunities" does not mean that the bill assures that there never will be any unemployment. So long as we have progress, there always will be individuals looking for jobs at the same time as employers will be looking for employees. Supply of and demand for labor in particular regions and industries can never balance exactly. We shall have what has been called "frictional" unemployment. The size of that "frictional" unemployment will be largest in periods of rapid change in agriculture and industry. It will certainly be large in the transition from war to peace. Therefore, a full employment policy does not supersede the need for unemployment benefits or other measures of social security.

Furthermore, the bill does not guarantee specific jobs. Assurance of full employment opportunities neither removes the hazards involved in progress nor the responsibility of the individual to seek the job for which he is best suited. The bill is designed to create conditions under which hazards can be met and to provide a promise for those who strive for their own betterment.

This bill, as I understand it, is not a spending bill. I believe it was the intention of the authors to reach the objective—full employment—with maximum reliance on private enterprise and minimum reliance on Government spending. It is my conviction that a policy designed to prevent depression and unemployment is the best contribution we can make to hold down Government expenditures and the debt burden.

The greatest waste, in social, economic, and financial terms, occurs when depression and unemployment are permitted to develop. It is not necessary that we allow depressions to develop to the point where they throw public as well as private budgets out of gear.

Fiscal policy will be one of our major weapons both in avoiding depressions and in combating inflation. I believe that fiscal policy, both on the revenue and the expenditure sides, is the most potent weapon we have for influencing markets and employment, especially when we need quick results. It is also the means of action most consistent with free enterprise. Public finance must be our servant and not our master.

By assuring business that the Government will take whatever steps are needed to prevent a depression, we make the greatest contribution toward supporting the confidence of business in sustained markets,

and thereby permit business to make its own greatest contribution for the maintenance of full employment.

This bill does not provide for the detailed administration of the job that has to be done in collecting statistical facts and estimates and in preparing the economic program for the President. It only states that the estimates and recommendations shall be prepared under the direction of the President on the basis of material furnished by the agencies of the Federal Government. I believe that these general provisions are in accord both with the constitutional position of the President and with the requirements of practical administration. It should be left to the President to determine such administrative arrangements as are necessary to discharge this function. I am glad that the revised version of the bill makes it mandatory to consult with industry, agriculture, labor, consumers, State and local governments, and others in the preparation of the statistical estimates and policy recommendations.

Mr. LaFOLLETTE. Excuse me. That is not correct, is it?

Mr. SMITH. I am referring there to the Senate revision.

Mr. LaFOLLETTE. This bill that we have has no mandatory provision.

Mr. SMITH. I think there may be a little confusion possibly in my own mind, because I have tried to cover both the Senate and the House versions of the bill.

If we are to have full employment it must result, indeed, from co-operation of all the people; we must mobilize the best minds in the Nation and create a rallying point for those concerned with the general welfare.

This bill, finally, does not contain specific programs for full employment. We should frankly face the fact that this bill does not answer the question of what specific Government programs will prevent either inflation or unemployment in any specific period. Neither did the Budget and Accounting Act say how much money the Government should spend for the Department of Agriculture or for public works. It only provides a mechanism by which such programs could be effectively formulated and enacted. In a similar way, this bill does not say what the Government policies for full employment ought to be in each situation, but it provides a procedure for the formulation of adequate programs at the right time.

Frankly, I can better understand those critics who say there is not enough substance in this bill than those who say that it provides for too much. Still, I think it is wise to refrain from the inclusion of specific Government programs in this legislation. This legislation will stand up over the decades just as the Budget and Accounting Act has done. The framers of the Budget and Accounting Act certainly could not foresee what Government programs would be needed in future years.

We are living in a period of rapid change, and it would be a great mistake now to attempt to freeze the policies by which we seek to attain our objectives. Policies must be formulated on the basis of current data and foreseeable trends. Policy programs must be adapted to changing economic conditions.

We may face inflationary dangers, or we may suffer from a chronic lack of demand for our production. We cannot foresee the course of

our international trade and investment beyond a limited period of time. We are not yet aware of the ultimate effects that the technological changes, made during the war, will have on our peacetime production. We may experience an increase in the productivity of labor that will pose entirely new problems for employment policy. Who can know what the economic implications of the use of atomic energy will be?

This bill does not attempt to solve any of these problems. It recognizes that we need legislation in many fields. We have witnessed undreamed of human and material destruction. There is a prospect of undreamed of human progress if we learn to use our material and intellectual resources wisely. There may be a period of frustration, unrest, and new destruction if the Government fails to adopt suitable procedures for its great task.

I support the full employment bill because Congress, by its enactment, assures the people that the Government is aware of its responsibility and because it provides a sound procedure that will enable the Government to discharge that responsibility. It will help the people to build a sound economic foundation for peaceful progress.

The CHAIRMAN. I notice on page 6 of your statement that you say, in substance, that the President possesses at this time all the authority that is granted him in this bill?

Mr. SMITH. Yes. I think that I should say that the President may do these things without further legislation; but I think there is a very important distinction. He would be presenting such estimates without a definite procedure recognized and adopted by the Congress. I think that is a very important difference.

The CHAIRMAN. Congress was criticized back in July and August because it was not in session; and this is one of the bills that we were criticized for not having brought out and passed upon. I read the bill two or three times, and if I can understand it correctly, the President already has this authority; and if he wants to assume the responsibility he can already do everything that is proposed under this bill, except appointing a joint committee of the House and Senate. I think the criticism of the Congress for failure to meet this situation could be shifted down to the other end of Pennsylvania Avenue, if you wanted to be a little technical, could it not?

Mr. SMITH. I think it might. I thought that only bureaucrats were criticized, Mr. Chairman.

The CHAIRMAN. If you could see our mail you would find out that Members of Congress are criticized also.

There are several things about this bill on which I am not clear. The President must forecast how much money will be spent by private industry, private investment. I assume that the Bureau of the Budget will do that. You might have to submit the Budget to the President before the 1st of January of each year, and then, of course, already studies are being made by the different agencies to submit information to you, and I assume that it would be around September, so you could study the information over in order to prepare the Budget to submit to the President for his approval before it is transmitted to Congress the first week of the new session. Would not that be the procedure?

Mr. SMITH. Yes; approximately.

The CHAIRMAN. Then he would be placed in the embarrassing position of forecasting a depression after the beginning of the fiscal year, on July 1 of the next fiscal year. Is not that true?

Mr. SMITH. Do you think he might not forecast a boom?

The CHAIRMAN. If forecasts either one, don't you think it would be a little dangerous?

Mr. SMITH. I think I should point out that I made the suggestion in the Senate testimony that I considered the bill too rigid in that respect, and that what the President should be required to do would be to present the most recent estimates on the economic health of the Nation, to use a general term, and to make such suggestions concerning future trends as he thought those estimates pointed to fairly definitely. It seems to me that you cannot predict in anything like accurate and detailed statistical terms what the future is going to look like.

The CHAIRMAN. You say you cannot predict in accurate terms?

Mr. SMITH. No; not in accurate statistical terms, what the future is going to look like.

The CHAIRMAN. He would always have to be on the safe side by predicting a little more than the figures showed; is not that right?

Mr. SMITH. No; I would not say "always." A sound estimate would be the best judgment that you can muster from the facts at the time. But it seems to me that our statistical information has been very greatly improved since World War I and that a good many of these statistical series have been built up over quite a period. Business cycles have been studied, and so forth. So that there is a growing volume of information that I think becomes more and more useful and more reliable. This is all history, obviously. Statistics are history, and sometimes they are pretty lagging history; but, nevertheless, that is the best material we have, and under a measure of this kind I think it would have to be perfected.

The CHAIRMAN. I have been reading some forecasts made in November 1929, and then again in December 1929, and I want to read one from Harvard Economic Service (reading):

A severe depression like that of 1920-21 is outside the range of probability. We are not facing protracted liquidation of huge industries, world-wide demoralization in commodity markets, and rising money rates. Something more than a mild recession, such as that which occurred in 1927, is already certain. Since depressions, mild or severe, have not—so far as the record goes—occurred when commercial credits are generally sound and money is easing, precedent indicates a severe recession lasting a few months longer and followed by recovery.

That prediction was made in November 1929. What about that forecast?

Mr. SMITH. Well, of course, Mr. Chairman, I think any forecaster has a difficult time of it and is bound to make mistakes. I think, however, that it can be said that the information available has been constantly improving. That is not, of course, a Government prediction. But I suspect that you could find some Government predictions perhaps equally vulnerable.

The CHAIRMAN. That is what I say. That is why I say that you would be placing the President in a very embarrassing position in submitting this Budget, because if he should predict a depression, I think it would be a pretty safe thing to predict at the same time that he

would not be a candidate for reelection, because it would of necessity force people to stop buying, because there are some people still a little like squirrels: they want to lay aside something for a rainy day, and if they could not get any more acorns they would be a little slow in eating what they had.

Mr. SMITH. I suspect that if the Government predicted a depression such as the one we had, probably neither the President nor anyone else would be elected.

I think that what we are striving to do here is to provide a mechanism through which and by which we can have public debate of all of the factors that are involved, insofar as they are known. If they are highly speculative, that will be brought out in the debate.

I often receive another kind of criticism as a bureaucrat on the performance of the Government, and a good deal of suspicion is attached to this or that move or this or that policy statement. On the side of the administration, we have no opportunity to debate those things, whereas if those issues were brought up right in the Congress, openly, for public debate pro and con, you would provide an educational forum such as I do not think we have at the present time with respect to how Government policies may be shaped to provide employment.

The CHAIRMAN. Of course, it is very fresh in my mind, because I believe it was in April of this year, or maybe in March, that we had experts from the War and Navy Departments, the War Production Board, and other Government agencies, coming before the Military Affairs Committee and saying that unless we passed a labor draft bill we would probably lose the war. That was debated fully and freely on the floor of the House; and in less than 3 weeks' time the people who came up requesting the passage of that legislation appeared before a Senate committee and said that we did not need it.

This prediction is going to have to be made a minimum of 6 months ahead.

And another case we had was the nurses draft bill. Thousands and thousands of boys were going to die unless we drafted nurses. Of course, when you try to lay the life of some boy at our doorstep, we start to squirm. In less than 3 weeks' time the same thing happened in that case.

You can go back to our food production. There was the prediction that we would have plenty of meat after surveys had been made by all the agencies that the Government had. Some people did not have any meat, and I am getting some letters still saying that they do not have any lard, bacon, and things like that down in my part of the country now. Those were forecasts made by the Government. On the other hand, we had farmers planting things that there was just no market for. We had the farmers raising chickens and eggs.

Mr. HOFFMAN. The hens laid the eggs, not the farmers.

The CHAIRMAN. Well, they had a little to do with the feeding of the hens. There was no place to store the eggs, and the farmers began selling all their laying hens. I do not know that we can rely on the statistics that the Government passes out.

Mr. SMITH. As a farmer, I occasionally outguess the Government myself; but, nevertheless, I think that what you are speaking of represents a particularly difficult problem in which we were ordering all of

our national resources toward the war effort. I think we have to keep in mind that this is probably a particularly volatile economy that we have. I served on a county welfare commission in the depths of the depression, and at the beginning of a 10-year period and at the end of it we experienced a shortage of labor. That is a short cycle, but one could feel that he was living a couple of lifetimes there.

I think we have got a rapidly changing economy and that predictions are bound to be vulnerable always to a certain extent. Nevertheless, we do have to have a foundation, the best foundation we can get of intelligence with respect to our economy. We have to improve that foundation, and it is on that foundation and from it that we can make reasonable deductions.

The CHAIRMAN. Without objection, I want to insert these predictions in the hearings at this point, because I think they will give the committee, when they read the hearings, some idea about how far predictions, when dealing with statistics in business, can be relied upon.

(The predictions referred to and submitted by the chairman are as follows:)

Cleveland Trust Co. Business Bulletin

General business has slowed down somewhat and will probably slow down still more, but the losses in the stock market, gigantic as they are, have not impaired the soundness of our banking system or decreased the efficiency of our industry, our commerce, or our agriculture. In the main, the stock losses are not business losses, and their effect will probably not be nearly so serious for business as their size would lead us to expect.

Brookmire Economic Service

Business activity is still at a relatively high level, and conditions do not warrant anticipation of a drastic, general slump. The direct, immediate effect of the decline in stocks will be upon luxury lines of commodities; its effects on general business will be more remote.

Standard Statistics Co., Inc.

Reflecting the loss of purchasing power as well as public confidence, resulting from the collapse of security values, we anticipate a sizable decline in internal business during early future months. It is, in fact, our belief that the downward trend of domestic business will not be definitely checked before next spring, at the earliest date—that a decided revival may not occur before the fall of 1930.

National City Bank of New York City

The whole business situation has had a severe jar, but I really think we have seen the worst of it and that as the people adjust themselves to the new conditions sentiment will improve. I do not think we need apprehend a prolonged depression.

BUSINESS CONDITIONS BULLETIN, DECEMBER 1929

Harvard Economic Service

A depression seems improbable, and continuance of business rescission is all that is in prospect. This justifies a forecast of recovery of business next spring, with further improvement in the fall, so that 1930, as a whole, should prove at least a fairly good year.

Cleveland Trust Co. Business Bulletin

It now seems probably that the course of general business will reverse its trend of 1929 by starting lower and ending higher. It seems likely that conditions will be slow in the spring, better in the summer, and that they will improve strongly in the autumn.

Brookmire Economic Service

Summing up, we would say that the outlook is for irregularity in business and general commodity prices, with a generally downward trend for the first half of the year. The course of events thereafter will depend upon the degree of readjustment accomplished during this interval, although it seems likely that some recovery will have set in before the end of 1930. Eventually, forces now at work will bring about the readjustments needed to lay the foundation for a world-wide advance in business which should eventually carry the totals of world trade to new high levels.

Standard Statistics Co., Inc.

It is our conclusion that the preponderance of factors point toward a further lowering of general activity during the months immediately ahead—that, in fact, the remainder of 1929, and most assuredly the first quarter of 1930, will find trade volume markedly smaller than in the like period a year ago; also that a real revival will probably be postponed until the second half of 1930.

National City Bank of New York City

We are still unable to be gloomy over the outlook.

The CHAIRMAN. Has the Bureau of the Budget been making any study of any other Government agency along the lines outlined in this bill?

Mr. SMITH. I think we have been studying the bill since it was introduced, and we have submitted considerable information as we have been requested to do, and therefore we have had to pull together whatever we could get.

The CHAIRMAN. Assuming that the bill should become law in time for the President to submit the Budget for the next fiscal year beginning July 1, 1946, have you been preparing any studies in order to enable the President to submit such a budget?

Mr. SMITH. We have not anything definite yet.

The CHAIRMAN. Would it not be fair to assume that if this bill were to become law in October, November, or December of this year, studies and recommendations to enable the President to make a fair estimate for the full employment budget could not be presented to Congress until the 1st of January 1947, for the fiscal budget beginning July 1, 1947?

Mr. SMITH. It might very well be. I have not given much thought to that. I think you probably have in mind that we are going through a reconversion and transition here, that is just as abnormal—

The CHAIRMAN. I am just going through the normal budgetary procedure.

Mr. SMITH. It probably would have to be recognized that if this bill passed we could not reach anywhere like the standards we would like to reach in presenting information, but you could have, I think, a fairly reasonable presentation.

The CHAIRMAN. Of course there are a lot of people thinking that if this bill were to become law tomorrow they would go to work the next day. There is nothing in the bill that would insure that; there is nothing that would insure them work, in this bill, on the 1st of July next year.

Mr. SMITH. That is correct.

The CHAIRMAN. And it would be unfair to assume that the Budget Bureau would have a budget estimate ready for the President to submit to the Congress in his January message?

Mr. SMITH. We could have the statistical history as it is available. I think we could present that very readily. As to what deductions

could be made from it with respect to the immediate future, I am not sure. That is something that one would have to go through in some detail.

The CHAIRMAN. If we have to use that statistical material showing curves up and down, and so forth, would it not be just about as reliable as the almanacs that are given to you by drug stores every year predicting what the weather will be on, say, the 25th of September? They are based on past history, and I know some people plant their corn and cotton and kill their hogs according to those almanacs, but I notice they miss a lot of their predictions as to the weather.

Mr. SMITH. There are a lot of people that believe in those almanacs, as you know.

The CHAIRMAN. But very few people believe in statistics; is that right?

Mr. SMITH. Very few people defend statisticians, I am afraid. They are a downtrodden lot. Nevertheless, I think we have to depend upon them; and I would certainly say that in connection with our economic stabilization program during the war we have had to rely upon statistical trends. I think it can be pretty well demonstrated that the Government has done a reasonably good job in economic stabilization. To get that contrast, all you have to do is to look at what happened to prices during the last war. The whole economic stabilization program is one program that has had to rely upon the statistical series which have been built up in the Government over a period of years and pretty well tested. I think one can say that we have got statistics that are helpful and useful and which, I think, surpass the almanac quite a bit.

The CHAIRMAN. I have seen figures brought before committees and before the Congress, in connection with passing some of these control bills, which almost proved that a steak was selling for a tenth of what it sold for in 1936.

In order to assure and guarantee full employment would it not be necessary to place a ceiling on production of all commodities in order to prohibit the glutting of the market?

Mr. SMITH. I would not think so. I would certainly be against this bill if I felt that any such regimentation as that were required. I look upon this, as I said here; as an instrument that gives free enterprise a large play, a large area of freedom, as much as possible, it seems to me.

The CHAIRMAN. Take the automotive industry, one of the industries that directly employs half a million people and indirectly employs another 2,500,000 people. Suppose they were to go ahead next year and make all the cars that the market could absorb, and on the 1st of January of next year they would have to lay off half a million employees, and that would mean laying off maybe 2,500,000 more people. If you undertake to guarantee full employment would it not be reasonable to say that we are going into the factories and tell them that they are producing too many Fords or Chevrolets or Chryslers, because when you saturate the market you are going to affect all these people back of you, not only the ones directly employed, but the people who make the steel and the aluminum and the textiles and other component parts of an automobile, and we are going to place a ceiling on your production in order to keep from having to spend Federal money

which does not exist. I think we all agree that the Federal Treasury is in a pretty bad condition, with a \$275,000,000,000 debt.

Mr. SMITH. If you come to that, it seems to me you would have quite a radically different economy from what we have now; and I do not think that is contemplated in this bill in any way.

Mr. HOFFMAN. What the chairman means is, does not that necessarily follow?

The CHAIRMAN. I think it might follow.

Mr. SMITH. I do not think it does.

The CHAIRMAN. I know that in Germany the National Socialist Party believed in free private enterprise when they first started out. They were supported by some big steel and chemical magnates. But in order to carry out full employment they changed their policy. They really had full employment. Everybody was working.

Mr. HOFFMAN. They surely did during the war and before but to what end?

The CHAIRMAN. They had all kinds of programs, and if anybody opposed any of those programs they would be liquidated in one of the concentration camps.

I am wondering if we are not facing some of those dangers when we start to plan everything from the cradle to the grave.

Mr. SMITH. I would be against that, because I am sure that the Director of the Budget would be the first one assigned to a concentration camp.

The CHAIRMAN. He might, if some of these agencies had their way.

How many people do you estimate, from the studies that have been made so far, will be out of work next year?

Mr. SMITH. I have not personally reviewed such estimates.

The CHAIRMAN. I do not count strikes, because there is employment there. When a man is on strike he does have a place where he can work.

Mr. HOFFMAN. Let me correct you there. The present strike in Detroit involves the Kelsey-Hayes Corp., which manufactures wheels for automobiles. They cannot get wheels over at Ford's, so the men are out of employment there because Kelsey-Hayes is on strike. Do you see what I mean?

The CHAIRMAN. Yes. Forty thousand of them are out.

Mr. HOFFMAN. Yes; though the jobs are there.

Mr. SMITH. I have not made any such estimate. I have not recently checked the Bureau of Labor Statistics or any other agency.

The CHAIRMAN. Has the Bureau of Labor Statistics been directed to make any such studies or surveys?

Mr. SMITH. Not that I know of.

The CHAIRMAN. I noticed a report last week that there would be 10,000,000 people out of work next year, and I was wondering if they had been directed by the Budget Bureau to make such studies.

Mr. SMITH. Not that I am aware of; and I should be aware of it.

The CHAIRMAN. You do not know whether those figures are based on accuracy or guess?

Mr. SMITH. I have not even seen them.

The CHAIRMAN. I was wondering what the OPA had to do with estimating unemployment next year. They estimated 10,000,000.

What do you consider a fair annual wage?

Mr. SMITH. Mr. Chairman, I have no figures on that, and I have no personal opinion about that, because I would want to do a staff job on a question like that. I think it would be very considerable over the country.

Mr. RICH. As I understand it, they intend to leave the President to make the recommendation, and he will have to get his information through the Bureau of the Budget. You are recommending the bill. Do you not think that you should have made some estimate or some study as to the possible effect that it is going to have on your Department?

Mr. SMITH. Well, I am not at all certain how the President would implement this measure administratively. I am sure that if a bill of this sort is passed it will be possible to get pretty accurate estimates on unemployment and labor force generally. I think those estimates have been improving in recent years.

The CHAIRMAN. I have heard some people say that the minimum annual wage would be \$2,000. Other people say \$3,000. I am just trying to figure out how much Federal money would have to be spent next year to take care of, we will say, 8,000,000 at \$2,000 a year. That would be \$16,000,000,000 that would have to be raised by the Treasury of the United States either by borrowing or by increasing our taxes for next year.

Mr. SMITH. Mr. Chairman, if we cannot handle the situation better than that, it seems to me we are going to be in a good deal of difficulty. I think that I would like to see a different approach made here—and this is my philosophy about this bill. I would like to see an approach that would help to stimulate private enterprise, for instance, by making a revision of the tax laws. It seems to me just out of the question that we pour any such amount of money as you are indicating, out of the Federal Treasury, to handle unemployment.

The CHAIRMAN. If you pay interest of a little over \$6,000,000,000 a year on a \$300,000,000,000 debt, you cannot reduce taxes much next year or the year after next, can you?

Mr. SMITH. No; I agree.

The CHAIRMAN. Unless we inflate our income.

Mr. SMITH. I agree. But I am no expert in the field of taxation. I think it is a pertinent point to make here that there are types of taxes which, it is at least alleged, are hampering private enterprise. Those, it seems to me, can be adjusted. There is some debate as to what the adjustments are and how they ought to be made. I only make that statement as an illustration of one kind of approach here.

In that connection, Mr. Chairman, it seems to me there would be a great advantage if you had a unitary consideration of both the revenue and expenditure side of the Budget within the Congress and within the administration.

The CHAIRMAN. Of course, you would oppose increasing our Federal indebtedness any more than our present commitments, would you not?

Mr. SMITH. I certainly would like to see it reduced.

The CHAIRMAN. Do you not think that that in itself will cripple the money that would be used to invest in private enterprise? I heard a suggestion made this morning by a person interested in this bill. His idea was that if you are going to have continued full employment by

private enterprise we would have to assure the private investors that their taxes would not be increased, and we would have to assure them at the same time that wages, when we fix the price of commodities, would have to be fixed where they would have a fair profit to compensate them for the risk they take in the investment. Do you contemplate that in this full employment program?

Mr. SMITH. I am frankly not arguing, and I do not think I can foresee, what factors would enter into this at any particular time. It is for the Executive to propose and the Congress to debate and enact or reject. It seems to me that what we have here is a mechanism—that is the way I think of it—which harnesses the Executive and the Congress in an orderly fashion in dealing with all of the policy questions which you have raised here. I could say and should say that I have no official opinion about any of them or what ought to be done under such a bill. I think I would argue that we at the present time lack a mechanism for dealing with the kind of issues which you have presented, and that this bill provides such a mechanism where all of those questions can be debated and ironed out in the Congress after presentation by the President.

The CHAIRMAN. Do you have any fear that when we start out on full and free debate on the floor, that when the program starts working we will find a little break-down here and there, and then it would become necessary for the Congress to pass laws prohibiting a man from striking if he wants to or prohibiting a man from closing his store, his small business, because it would affect national employment? Don't you think that could happen if we go into this matter of trying to assure everybody a job?

Mr. SMITH. Mr. Chairman, I cannot visualize it, and I would certainly oppose that. I think it would bring us to a kind of regimentation which this bill certainly does not contemplate.

The CHAIRMAN. I know it does not contemplate it. It refers to private investments. There are so many things that go into private investments. How would the Bureau of the Budget be able to get the figures from private employers and private investors about how much money they are going to invest after July 1 next year?

Mr. SMITH. You are basing it on history, pretty much, of our national income and such break-downs as we have had, but I think there are a number of series on actual and contemplated investment and expenditure and consumption that would have to be improved.

The CHAIRMAN. How would you improve it?

Mr. SMITH. The Department of Commerce has been giving those income figures annually for quite some time, and the Bureau of Labor Statistics, of course, is a large statistical service. I think we have relied upon them pretty fully during the war. They pretty accurately reflect, I think, the fact that the Government has gone into the market as a large purchaser in contrast to private individuals going into the market. It seems to me there are pretty accurate figures. As I have said about all these statistical series, I think they need to be improved. In some cases there has not been enough concentration perhaps upon the technical side; perhaps not enough money has been appropriated in some instances to carry out these programs. But we have the Bureau of the Census, with a long history. It has been collecting statistics for many years, and I think those statistics have proved to be of value and are useful.

The CHAIRMAN. And they are used today by industry and private lending agencies?

Mr. SMITH. Yes, sir; and all the Government departments.

The CHAIRMAN. All use them?

Mr. SMITH. Yes; and a good many private agencies.

The CHAIRMAN. With all those statistics you have no way of taking into consideration how much money the United States Steel Corp., for an example, will spend next year after July 1 for plant expansion?

Mr. SMITH. I think that is right. The committees of Congress would get some impression in the hearings about the concerns of private enterprise. If private enterprise knew what the Government policy is to be, and it were thoroughly debated and adopted, I think a great element of uncertainty would be eliminated from the picture.

The CHAIRMAN. How far ahead do you feel that private enterprise should be advised as to the policy of the Congress?

Mr. SMITH. Of course, the Budget usually——

The CHAIRMAN. I am not talking about the Budget, but the policy of the Congress.

Mr. SMITH. Well, a policy of Congress in terms of legislation——

The CHAIRMAN. I do not see how you can advise a businessman at this time next year about what the policy of Congress is going to be. If he based his investment on what the Congress might do in September 1946, he might come up broke in August of next year.

Mr. SMITH. That is quite true.

Mr. RICH. He is broke now.

The CHAIRMAN. I am not talking about the Government, but about private investors.

Mr. SMITH. What I am talking about is the program that has been debated and adopted into the Nation's Budget. There are always some risks that have to be taken, but at least you have got some benchmarks set there with respect to Government policy in these areas, and I think that is important.

The CHAIRMAN. Do you think that this bill guarantees a man a job or assures him of a job?

Mr. SMITH. No. I pointed out that it does not assure any specific job.

The CHAIRMAN. Is it not true that after this bill becomes law, if it becomes law in its present form, the studies that your organization will make and the studies that every other statistical bureau of the Government will make, will then have to be submitted to the President, transmitted to Congress with recommendations that appropriations be authorized for specific public works, unless you are going to give the President a blank check and let him select the appropriations to be made? Is not that true?

Mr. SMITH. They would be authorized in the same procedure.

The CHAIRMAN. This bill does not authorize a single appropriation, does it?

Mr. SMITH. No, sir.

The CHAIRMAN. And it does not intend to, according to the proponents of the bill and the way I interpret the last page of it.

Mr. SMITH. That is right.

The CHAIRMAN. It will increase the number of Federal employees considerably, will it not, Mr. Smith?

Mr. SMITH. I would not think so. The number is probably going to decrease. It depends on the base you are talking about. It certainly would not increase them over the current base; they would be decreased. There would be some statistical services that probably would need some help.

Mr. HENRY. Do I understand you to say that the passage of this bill would decrease the number of Federal employees?

Mr. SMITH. No. If I understood the chairman's question correctly, he asked if this bill would increase the number of Federal employees, and I would say not. So far as the bill itself is concerned, I would say that probably there are several areas in the statistical field where we might need some additional employees, and probably will need them; but there will be a demand for them whether this bill passes or not. I have in mind, for example, the program on industrial statistics that was submitted to the Congress and debated some time ago. I think those issues will come up. I would say that so far as the present bench mark of Federal employees is concerned we cannot use that, because Federal employees are going to decrease markedly, I am sure.

The CHAIRMAN. You would not advocate granting the President a lump appropriation to carry out public works under the full employment program, would you?

Mr. SMITH. I would not think that is necessary. There might be circumstances under which Congress would care to do that, as Congress did before, but I would say that the orderly procedure, as I visualize it, under this bill, would keep us out of jams where any such executive action would be necessary; and I see no reason for changing any of the current appropriation or authorizing procedure with the adoption of a bill of this character.

The CHAIRMAN. Do you have a skeleton organization now set up, Mr. Smith, that, if there were 8,000,000 people who want work and are able to work and cannot get work next year because of the lack of opportunity for work, could put a program into effect to give those people work and estimate how much it would cost the Federal taxpayers? Just give us a little sketch of what the machinery would be. Not today. I would like you to submit that information to the committee to show us just how you would attack that problem.

Mr. SMITH. I do not know that we could give any very good information on it, any more than we have indicated that lots of Government policies are involved.

The CHAIRMAN. Of course one of those is to reduce taxes?

Mr. SMITH. I mentioned that as an example.

The CHAIRMAN. I do not see how we can reduce them.

Mr. SMITH. I am not advocating the reduction of them. I would say there might be some revision. But, at any rate, that is one element; that is one side of the budget. You will get into such questions as, Can the Government do anything to stimulate housing? You would get into the problem of interest rates with respect to Government lending.

The CHAIRMAN. You would not advocate the Government's raising its rate of interest?

Mr. SMITH. No, Mr. Chairman. I am not advocating anything here on that score. I am just saying that any difficulty with respect to

employment would be the occasion for a searching examination both on the part of the executive department and on the part of Congress of Government policies and how they directly or indirectly affect employment. If a businessman, for example, came to the Ways and Means Committee and said, "Here is a provision of the tax law that creates a very considerable hazard for us and uncertainty with respect to new investment." If he made a good argument, then that provision ought to be changed, it seems to me, in the interest of private enterprise and in the interest of employment to stimulate new investment.

I am not sure that we have ever had heretofore a careful examination of each of these Government policies in an orderly fashion. As Director of the Budget I can say to you that I would like to see them examined by the Congress and debated by the Congress. It seems to me that would be a very healthy and stimulating thing.

he CHAIRMAN. I am going to ask you only one or two more questions.

On page 5 of your statement you say [reading]:

A major objective of this bill is to bring about a better coordination of all Government policies. It requires the President to transmit a coordinated program annually in the National Budget, and establishes a joint congressional committee on the National Budget to consider the program as a whole and to make general recommendations before various parts of it go to the committees concerned. The establishment of a joint committee will, in my judgment, greatly facilitate adoption of a unified legislative program.

I am just wondering about that unified legislative program. In other words, is it contemplated, if this bill should become law, that any bill that came out of any committee would have to be reviewed by the Budget Bureau and by this joint congressional committee to see whether or not the bill would affect our full employment goal?

Mr. SMITH. Not necessarily so.

Mr. HOFFMAN. Probably so?

Mr. SMITH. It would depend on the rules of the Congress, I would say, what went to any such committee. But let me say this, that I think it forces us into a situation we have never faced before when we had a small National Budget relative to what we have had during the war and as compared with what we will face as a continuing postwar Budget in this country. The point I have tried to make here is that the very magnitude of that, whatever it may be—I said it may be \$25,000,000,000; it may be higher or may be lower——

The CHAIRMAN. It cannot be much lower, can it?

Mr. SMITH. I think it would be difficult to have it much lower. But, at any rate, it is a very considerable part of our national income even in the best of times. We realize we may have been, in the face of that situation, a little careless or slapstick in our approach to the total problem of fiscal policy—that is, you have considered in the Congress revenue in one committee and expenditure in another committee; also on the side of the Executive we have not always carefully related revenue to taxation and the impact of this proposal against others. In my opinion, we can no longer afford any element of disorderliness, whether on the part of the Executive or on the part of Congress. I say that with full appreciation of the democratic process, and that representative government is a process of compromise and adjustment as we go along.

The CHAIRMAN. Would we not promote efficiency by abolishing Congress and appointing a national administrator of our affairs?

Mr. SMITH. I certainly would not agree to that, even if you would, Mr. Chairman.

The CHAIRMAN. Of course, I do not agree with that. But is it not true that the so-called totalitarian governments are probably more efficient?

Mr. SMITH. I do not think so, Mr. Chairman. I wrote a little philosophical piece on that in which I argued against that point. I will be glad to give it to you.

The CHAIRMAN. I would like to read it.

Mr. SMITH. I think democracy is the thing. We did get a little scared of the Germans, to begin with, and of the Japs, but I think this war has demonstrated the efficiency and the vitality of democracy.

Mr. RICH. At that point I would like to ask you, Mr. Smith, if, in the past 10 years, considering our national debt, we really have had efficiency?

Mr. SMITH. I think we have. I feel that we have.

Mr. RICH. With a \$265,000,000,000 debt and not a balanced Budget for 15 years? Do you think that is efficiency?

Mr. SMITH. Well, I think of efficiency in slightly different terms. I am not sure that the efficiency of the previous 10 years was superior to the last. We have obviously had to increase our debt during the war, and most of it is a war debt. That is inevitable. Some of it is a depression debt. Part of it was there before the depression and following the last war.

I do not want to get into that issue unless you wish, but my own feeling is that the program of debt reduction should have continued vigorously before the thirties.

Mr. RICH. We had the debt, after the last war, down to 16½ billions, and then we hiked it back to 41 billion before the war. So I do not consider we had efficiency there.

Mr. SMITH. I think it is a serious fiscal problem; there is no question about that.

The CHAIRMAN. Has any estimate been made of the number of people that should be gainfully employed for the next fiscal year?

Mr. SMITH. I suspect there have been estimates, but I do not know about them. I have not seen them, Mr. Chairman.

The CHAIRMAN. I notice some people say that the maximum number of people that can be gainfully employed next year will be 54 millions. Others say 56 millions, and others say 60 millions. I am wondering what those figures are based on and how reliable they are and which one is correct.

Mr. SMITH. I do not know, Mr. Chairman. But you are bound to have a transition period of unemployment. Whether some of that will remain even while we are meeting the built-up demand for civilian goods is met, I do not know. I would expect it to be a sort of frictional unemployment due to reconversion.

The CHAIRMAN. Let us assume that 500,000 workers in the auto industry strike and they are on strike for 4 months, which will indirectly affect 2½ million people, maybe more than that. I have had some information—I don't know whether it is accurate or not, that that would mean 2½ million people within the next month or two would have to be laid off. Assume that those people are out. Is it contemplated—and I am not going into the question of whether or

not management is right or labor is right, or whether they are both right or both wrong—is it contemplated that we should start immediately a system of public works to provide employment for all the people affected by those strikes?

Mr. SMITH. I should certainly say that I have never heard of anything like that.

The CHAIRMAN. It certainly will affect full employment.

Mr. HOFFMAN. It certainly cannot cure unemployment unless you give them a job right off the bat?

Mr. SMITH. No.

Mr. HOFFMAN. All right. Then what wage are you going to pay them?

Mr. SMITH. I think that is a problem that has to be solved.

Mr. HOFFMAN. That is one of the practical difficulties with this kind of a plan.

Mr. SMITH. With our labor machinery; yes.

Mr. HOFFMAN. Am I correct in the assumption that you are giving your wholehearted support to this bill, H. R. 2202?

Mr. SMITH. Yes.

Mr. HOFFMAN. I have two preliminary questions. Can you give us by the end of this week or the end of next week a statement of your opinion as to the number of unemployed in the next 2 months, and also as to a year from now?

Mr. SMITH. Mr. Congressman, I shall certainly see what is available on that, but I would doubt if that could be done.

Mr. HOFFMAN. How long will it take you to give us a statement of your opinion as to the number who will be unemployed on March 1?

Mr. SMITH. It seems to me that I would be in a pretty impossible position to—

Mr. HOFFMAN. All right. If I understand it correctly, this bill provides for an estimate to be made by the President; and of course we understand that the President is not going to do that. He will probably turn it over to you, will he not?

Mr. SMITH. He might.

Mr. HOFFMAN. Probably?

Mr. SMITH. Yes.

Mr. HOFFMAN. He probably would?

Mr. SMITH. Well, of course I don't know.

Mr. HOFFMAN. But in the ordinary course of events that would come to you, would it not?

Mr. SMITH. Yes. He might very well ask, and then we would rely upon statistical agencies to get that information.

Mr. HOFFMAN. So that some time, if this bill, to which you have given your support, goes into effect, you would be required to furnish such a statement?

Mr. SMITH. I think not necessarily.

Mr. HOFFMAN. Who would be?

Mr. SMITH. I do not think anybody is required to furnish such a statement under all circumstances. I think that is the point that I want to make here. The President would supply a statement—well, possibly I am thinking of the Senate bill as revised. But the President would supply a statement of the most recent unemployment figures and would say that the trend is in this direction or in that direction.

Mr. HOFFMAN. I do not care to enter into any controversy on any of these things. I just want to get your views; that is all.

Section 3 (a) of the bill provides that the President shall transmit to Congress at the beginning of each regular session the national production and employment budget (hereinafter referred to as the "national budget"), which shall set forth in summary and detail, for the ensuing fiscal year or such longer period as the President may deem appropriate, the estimated size of the labor force, and so forth.

If this bill becomes law upon whom will that duty rest?

Mr. SMITH. It is up to the President, under the law, to designate, I might say for example, the Bureau of the Budget, for that purpose.

Mr. HOFFMAN. Would he not use the Bureau of the Budget?

Mr. SMITH. I think he should and he probably would, but I am not in position to say so.

Mr. HOFFMAN. It has taken us about 3 minutes to get to that. It will take you how long to get such a budget ready?

Mr. SMITH. We work on the budget now from September—of course it is a continuous process, you understand, but we work on it from September to January, when the President submits his statement.

Mr. RICH. In your statement, on page 3, you say [reading]:

The people will not be satisfied with anything short of full employment in peacetime. We have in this country the resources, the managerial know-how, the skill and instinct for work.

I am wondering, if we have the managerial know-how to create these peacetime jobs—and I believe we have—why is it that we do not have it ordinarily?

Mr. SMITH. I think that gets us into a difficult question to which there is really no simple answer—as to why we have depressions. I think that the thing that impressed me during the war was the tremendous production that we got. I think we demonstrated that we had a managerial capacity which we used during the war that seemed to me somehow ought to be liberated during peace.

Mr. RICH. That was because of the fact that the Government then was putting in all its effort, and practically all the business was being done for the Government?

Mr. SMITH. That is right.

Mr. RICH. During the peacetime the responsibility for operating private business is upon the individuals who own and control the business, and they operate it for the purpose of trying to do two things: First, to make a profit, and, second, to look after their employees. Don't you believe that any man that can operate a business will do it if given an opportunity?

Mr. SMITH. I think he will. I think he has a profit motive and he has a service motive as well. I do not think the profit motive is the only one by any means.

Mr. HOFFMAN. Then there always comes a time in connection with a bill like this where there is essentially the responsibility of the Government to try to aid and assist business. We have got to the point in our Government where we have looked upon people who are in business as rascals and scoundrels and men who are trying to exploit the people of this country, and we passed a lot of laws because of that, and now we have got business in the position where

it is helpless to go ahead. There are a lot of radical people in this country who are trying to destroy business and they are trying to prohibit business from operating. Do you have any idea that a lot of those people are doing that to try to get the Government to take over all business in this country and thereby make it a communistic country?

MR. SMITH. I hear a good deal of that. It is very difficult for me to identify any such people in the Government. I think there is a handful of people like that.

MR. RICH. They are not in the Government altogether, but are outside.

MR. SMITH. I think that element is so minor that it is relatively unimportant. It has never bothered me very much.

MR. RICH. Then, Mr. Smith, tell me this, if you can answer it. Why is it that all the strikers are demanding a 30-percent increase in wages?

MR. SMITH. I do not know very much about this labor matter. Labor naturally demands more than it expects to get. I think it is a matter of compromise, and I assume—again I do not know about it in detail—that there is an effort to keep take-home pay at something like the war level, and there are a great many people, no doubt, who feel that that is something important in our economy. I have not gone into this situation at all. I do not know much about the issues that are involved in the growing strikes.

MR. RICH. Do you believe that the difficulties we are having now in getting back into peacetime work should be settled by arbitration rather than by closing down industry today and keeping people out of work?

MR. SMITH. I think it is entirely possible to improve our labor machinery in such a way that we will get orderly adjustment.

MR. RICH. Would it not be better for labor if they could be working now? Would it not be better for business if they were working now? Would not everybody be better off if we were working rather than closed down because of strikes?

MR. SMITH. I would assume that the answer would be yes, except that apparently labor that is striking does not think they would be better off without striking. There are pent-up demands for civilian goods, and those demands will not be met as readily as a result of the strikes, naturally. But it seems to me that quite aside from the current situation that here we have got an orderly procedure for debating some of the policies that you bring up and putting them together in a coordinated program. That, to me, seems important. I am not interested in the immediate answer. I even say that I am not interested in what we think, as long as we think. It seems to me that, in a sense, applies here. We would establish in this bill machinery for amalgamating and harmonizing and integrating, or whatever the terms are, a lot of different points of view. That, to me, is the important contribution of this bill to Government.

MR. RICH. In order for you to recommend to the President and to the Congress the budget that is necessary at the beginning of the year, you ought to know about what you are going to spend and, as well, you ought to know about what your revenues are going to be.

MR. SMITH. That is right.

MR. RICH. If we have continuous operation from plants that want to work you are going to receive more revenues, so far as the government is concerned, if everybody works?

Mr. SMITH. That is right. The greater the production, the greater our national income.

Mr. RICH. Then the Government is going to benefit?

Mr. SMITH. That is right.

Mr. RICH. The man that is working and the man that wants a job and the man that will work—if he is working, he is earning?

Mr. SMITH. Yes.

Mr. RICH. And therefore he ought to be happy and his family ought to have everything that is necessary for them, so far as the things that are essential to their welfare are concerned; and when they are working they get them?

Mr. SMITH. I think there are some that would argue that they do not; that their standard of living is too low.

Mr. RICH. If they had been working for 4 years and they still are getting the same wage, there has not been any reduction, they will earn for themselves a livelihood and they will not have to depend on the Treasury, because as soon as you pay them for not working you are taking something from the Treasury, which is a drain on the Treasury; and if they are earning they are not only earning something for themselves, but putting something into the Treasury. That same thing applies to businessmen who help you to balance your Budget. There is where we have been lacking, because of the fact that we have not had an orderly procedure, as I view the situation in the conduct of the affairs of private business, of labor unions, and of Government.

I am in hopes, Mr. Smith, that we can work out a policy whereby we can settle these differences by arbitration and everybody will work, and then the adjustments will come after everyone agrees that they should be settled by arbitration. I hope that you can recommend some policy that will aid in keeping the wheels of industry turning, because I think that is our salvation. It is not going to be possible to pay people for sitting at home doing nothing. We are only going to jeopardize the liberty and the freedom of the American people.

Mr. HOFFMAN. In order to do anything under this bill I take it, Mr. Smith, that someone would have to ascertain about how many jobs it would be necessary to provide for the number they thought would be unemployed, and as I understand it, you cannot give us within the next week or two any figure as to how many would be unemployed, say, next March?

Mr. SMITH. I think we could give you some rough figure. There would have to be a lot of conjecture about it. It would be probably as vulnerable, or might possibly be, as the predictions that the chairman has mentioned.

The CHAIRMAN. I hope not.

Mr. HOFFMAN. And that same difficulty would confront whoever had to make such an estimate in the future, I assume?

Mr. SMITH. It would. But, of course, I would like to emphasize again that when we were talking about the current situation we were talking about an abnormal one.

Mr. HOFFMAN. The present situation?

Mr. SMITH. Yes; where we have reconversion from the war effort to peacetime.

Mr. HOFFMAN. Do you think there is much unemployment at the present time?

Mr. SMITH. No; but my point is that from the standpoint of statistical estimates this is an abnormal situation, and I am making that advance apology for any statistics.

Mr. HOFFMAN. But you do not expect that this bill would end unemployment?

Mr. SMITH. It certainly would not. We would certainly have, at the least, frictional unemployment. There would always be people seeking jobs and employers seeking employees.

Mr. HOFFMAN. You have expressed that, I think, quite clearly, have you not, when you said that so long as we have progress there always will be individuals looking for jobs at the same time as employers are looking for employees?

Mr. SMITH. Yes.

Mr. HOFFMAN. What you hope to do by this bill is to strike a general average so that there will be less unemployment in times of depression?

Mr. SMITH. That is correct; and it seems to me this bill provides a procedure that we have not had before for the integration and careful discussion of all the policy questions that enter in.

Mr. HOFFMAN. Of course you are familiar with the history which tells us that once upon a time there were seven fat years and seven lean years.

Mr. SMITH. I am not sure of the statistical basis.

Mr. HOFFMAN. No. That grew out of a dream perhaps somewhat similar to those of the present day. But you recall what I am referring to?

Mr. SMITH. Yes.

Mr. HOFFMAN. As I remember, though, that dream did come true: They had seven lean years and seven fat years. You do not anticipate that this bill is going to do away with a recurrence of lean years and of fat years, do you?

Mr. SMITH. I would say that you could not do away completely with those cycles.

Mr. HOFFMAN. You just want to make them a little less lean and a little more fat?

Mr. SMITH. I would hope they would be all fat; but at least I would expect that there would not be any real lean ones. I think that is the objective here.

Mr. HOFFMAN. You do not anticipate that this bill will have any effect upon the crop-growing ability of the farmer, or the rain or the frost or anything of that kind? You do not expect to wipe out the good growing years and the poor growing years, do you?

Mr. SMITH. No. I would not think they would be affected.

Mr. HOFFMAN. Then you would avoid the low prices that might come from the high productive years to the farmer by some method of Government purchase of the surplus, or would you anticipate that, and the next year provide that the farmer should grow less of a certain crop?

Mr. SMITH. It seems to me that my answer to that really is not important, because I cannot establish the policy on it.

Mr. HOFFMAN. No; but you are an advocate of this bill, and certainly you have some ideas about it.

Mr. SMITH. I think that even now, if you consider agriculture as a whole, it is a fairly completely regulated segment of our war economy.

Mr. HOFFMAN. You mean, by the Government?

Mr. SMITH. I think so. I am a farmer, and I try to run my farm, and I say that from a practical point of view as well as a theoretical one, the Commodity Credit comes in and makes a loan on wheat to take care of any surplus.

Mr. HOFFMAN. So that in your opinion, as a practical farmer, and based upon your experience in the Government, you would say that at the present time the Government has control of the farmers' production?

Mr. SMITH. Certainly during the war; the weather, since you have mentioned the weather, being the farmer's chief hazard.

Mr. HOFFMAN. But notwithstanding that Government control, we have today too much of this and too little of that, have we not?

Mr. SMITH. I think that is correct.

Mr. HOFFMAN. For instance, we had 25,000,000 cases of eggs that had to go to the fertilizer works or the soap companies, and then we had a scarcity of other farm products at the same time. So that the Government has not been able to level that off even as between farm products, has it?

Mr. SMITH. I should say that is correct.

Mr. HOFFMAN. You have answered it.

Mr. SMITH. Yes; but I want to make the point that you are talking about war economy.

Mr. HOFFMAN. Do you think that we have had here in America for the last hundred years the greatest opportunity for the man who wanted to work?

Mr. SMITH. I should say "yes"—perhaps in the world.

Mr. HOFFMAN. When I mention the man who works, I mean by that the skilled workers as well as manual laborers, they all have had more of the things that tend toward what we think is happiness, than other people?

Mr. SMITH. Yes.

Mr. HOFFMAN. So, speaking by and large, under our system as it has existed we have a country in which the average man has made greater progress and has enjoyed more of the good things of life than the average individual elsewhere?

Mr. SMITH. Except for depressions.

Mr. HOFFMAN. Even in the years of depressions. Take the Cleveland depression in 1895. You were alive then, were you not?

Mr. SMITH. Not quite.

Mr. HOFFMAN. How old are you?

Mr. SMITH. I was born in 1898.

Mr. HOFFMAN. You have heard about that one, have you not?

Mr. SMITH. Yes.

Mr. HOFFMAN. I can speak from experience. We had enough to eat and a good place to sleep and enough to wear, and under our own power we did come through it. There have been subsequent depressions that you have been through, and you did not ever yourself go hungry or without clothing or shelter, did you?

Mr. SMITH. No; but—

Mr. HOFFMAN. And you do not know of anybody who was not taken care of by the local community with reference to those things?

Mr. SMITH. Oh, yes.

Mr. HOFFMAN. Where did you live and what kind of people did you live with? Where did you live when that thing happened in America?

Mr. SMITH. I was a resident of the nice little city of Ann Arbor, Mich.

Mr. HOFFMAN. And the people in Ann Arbor let people go hungry and unclothed and without shelter? What year? That is a great university town.

Mr. SMITH. They did the same thing at Benton Harbor.

Mr. HOFFMAN. I do not live there. But you tell me the year that any American citizen went hungry, or without shelter or without clothing in Michigan.

Mr. SMITH. But there is the point. I happen to know personally of men who did not know where their family was going to get their next meal. That was a period of short duration, but I have in mind an engineer at this very moment who did not know where his family was going to get food, and that fellow was ready to throw bricks or do anything else.

Mr. HOFFMAN. But he got it and his family got it?

Mr. SMITH. Yes, eventually.

Mr. HOFFMAN. Did he have any relatives?

Mr. SMITH. I assume he did.

Mr. HOFFMAN. Did he have brothers or cousins?

Mr. SMITH. He had a small family, small children.

Mr. HOFFMAN. Did he have parents?

Mr. SMITH. I don't recall.

Mr. HOFFMAN. You know that in Michigan the parents have to take care of the children and the children have to take care of their parents, as matter of law. If any of them along down the line has anything he has to share, and if they do not have anything, then on the request of the supervisor, in the old days, at least, provision was made for them.

Mr. SMITH. That is right.

Mr. HOFFMAN. So that your engineer could always obtain food and clothing.

Mr. SMITH. There was a period there when it was pretty desperate. That is my whole point. I had personal experience with that, and I don't care to go through it again.

Mr. HOFFMAN. Of course we do not any of us care to take less than what we have now. But you do not expect under this bill, as I get it on page 6, which I referred to before, to wipe out all unemployment? There will always be some, will there not?

Mr. SMITH. There will be fractional unemployment. I am sure we have not reached Utopia by any means.

Mr. HOFFMAN. Do you know of any country that has a better system of providing employment than we have here?

Mr. SMITH. I am not familiar with that; I would not know, but I would doubt that there was.

Mr. HOFFMAN. I was just wondering, since we have the best country, which has given the most of everything to everyone who wanted to work, from whence came this idea that we ought to change it.

Mr. SMITH. I think your logic is excellent; your assumption is not so good, perhaps.

Mr. HOFFMAN. But, in any event, as it is, it is a pretty good old system; is it not?

Mr. SMITH. I rather think so; yes. I like it, myself, but I would like to see it improve in its defects.

Mr. HOFFMAN. I have never traveled and I do not know anything about other systems. I only know from my own little small town experience and what the boys who are returning in ever-increasing numbers tell me, that it is a pretty good country with the best system of government in existence.

Mr. SMITH. My own feeling is that we cannot afford another depression. I have a very keen feeling about it, and I think this bill is one type of instrument that gives us some barometers of our national economic health.

Mr. HOFFMAN. The general idea of making progress and getting things better, of course, is very laudable, and we are all for it if it can be done; but it just occurred to me that maybe we were trying an experiment here that might put us in a worse state than we are in or ever have been in. You say on page 1 of your statement, in the next-to-the-last paragraph. [Reading:]

The bill proposes that the Federal Government acknowledge that it has the responsibility to provide opportunities for full employment through private enterprise with whatever Government support is needed.

Assuming that there are a million unemployed and that private enterprise does not have the jobs, then, as I get it here, the Government assists private enterprise to create a million jobs. What form is that assistance to take—loans?

Mr. SMITH. No; not necessarily. I think it would take a multitude of forms.

Mr. HOFFMAN. Just what does that mean—"with whatever Government support is needed"?

Mr. SMITH. That is my interpretation of this bill as it is written. I did not write it.

Mr. HOFFMAN. What do you mean by it?

Mr. SMITH. I mean by it that you would focus attention, when you have declining employment, primarily on Government policy and Government programs of action, as to whether it contributed to or detracted from employment. In other words, you set up some sort of measure. I have heard a lot of arguments recently about housing, for example, that we are and are not going to get housing for this or that reason. You would have a very careful exploration of that subject.

Mr. HOFFMAN. Here are a million people who are unemployed. You say that the Government is to assist private enterprise in supplying those jobs. By that you mean either that the Government is going to loan to private enterprise money, or that the Government is going, through public works, to create jobs. It is one or the other.

Mr. SMITH. No, I don't think it is, Mr. Congressman. I think it may be those two things, depending on the problem, plus revision of the tax laws, plus revision of restrictions on housing; maybe changes in interest rates, or what not. It may be revision of agricultural subsidies; I don't know. But I am saying that I went through the Fed-

eral Budget and we listed the items where the Budget affects the national economy, and there are pages of it. You would have to examine each of those items and say, What effect does this have? Does it have any effect or does it not? You are asking me a question that I am sure bears complications in answering.

Mr. HOFFMAN. I rather suspected that.

Mr. SMITH. Yes. You have got to go through the whole scale. I am not trying to dodge your question, but I am trying to point out—

Mr. HOFFMAN. There are underlying difficulties in it?

Mr. SMITH. Yes.

Mr. HOFFMAN. Disregarding the strike proposition, let us say that in the country are a million men and women who want jobs and private industry cannot provide them. Assuming that you are the Government, just what would you do to help me if I wanted a job? Would you loan me money?

Mr. SMITH. No.

Mr. HOFFMAN. So you do not contemplate any financial aid to private enterprise to create these new jobs to take up the unemployment, do you?

Mr. SMITH. That is right.

Mr. HOFFMAN. You do not contemplate that at all?

Mr. SMITH. You might.

Mr. HOFFMAN. You said a minute ago that you did not. Maybe you do. Is that it?

Mr. SMITH. I am pointing out that it is not just one of two things; it is one of two dozen things.

Mr. HOFFMAN. Is the loaning of money one of them?

Mr. SMITH. You might loan money. For example, through the RFC.

Mr. HOFFMAN. Wait a minute. Suppose I am General Motors: Would you lend me some money to enable me to make some more cars?

Mr. SMITH. I don't think I would loan General Motors money, because I don't think they need it. Smaller businesses probably would need it. They do get assistance now.

Mr. HOFFMAN. Out in my country there is the Burnett Casting Co., which makes aluminum cooking utensils. Would you suggest that they enlarge their plant?

Mr. SMITH. That company might come to a lending agency of the Government and say, "In our judgment we can do certain things to provide employment and to increase production and make a profit, if we had additional capital."

Mr. HOFFMAN. And then if you were the Government—

Mr. SMITH. I would lend them the money. That sort of thing is going on all the time.

Mr. HOFFMAN. This unemployment would probably grow out of the fact that there was a surplus of production. That is the reason the men are out of jobs. So it might be somewhat difficult for the Burnett Casting Co. to produce at a profit.

Mr. SMITH. It might very well be.

Mr. HOFFMAN. Would you have the Government buy all the surplus so that they could produce at a fixed price at a profit?

Mr. SMITH. I would not. But there are some surpluses where there might be an export demand, where Government subsidy would justify it. We have been doing that for a long time. It might not be castings.

Mr. HOFFMAN. You would purchase sufficient of the output of the Burnett Co. to enable it to operate at a profit and give these extra jobs and send the surplus abroad?

Mr. SMITH. There might be such situations. I do not think it is important what I think about any of these questions, Mr. Congressman.

Mr. HOFFMAN. You are advocating the bill.

Mr. SMITH. I am advocating a procedure so that you as a Member of Congress can decide these issues that you are raising. I am not going to decide them.

Mr. HOFFMAN. I am trying to find out how, if we adopt this system, whether it is going to work out from a practical standpoint.

Mr. SMITH. I think you can make it work.

Mr. HOFFMAN. And I am asking you now how to do it.

Mr. SMITH. At the present time Government policy is not, and certainly has not been during the war, to examine every piece of it with respect to whether it provides or does not provide employment. This bill will force the issue, it seems to me. All of these policy measures will be examined not alone from the standpoint of what they cost in dollars and cents, but examined, in addition, on the basis of whether they provide employment, or whether a policy is detrimental to private enterprise.

My whole approach to this bill is that this sort of procedure will bring out into the open all of the issues which are harmful to private enterprise.

Mr. HOFFMAN. Such as what?

Mr. SMITH. Maybe taxes. I have heard a lot on taxes, that certain tax measures are harmful to employment at this time. I do not know whether it is true or not, but there are those who are more expert who thing it may be so. You get that kind of debate, and it seems to me the advantage of these things is that as they come up they have to be analyzed from that point of view. I think that is an advantage here. I want private enterprise to succeed. I think this bill helps private enterprise to succeed and brings right out into the open the things that are harmful and detrimental to private enterprise. I think it is unfortunate that in some ways the bill gets the connotation of a spending bill. I do not think that solves our problem. I do not think we can have a public-works program big enough to solve unemployment in this country at any time. It takes a whole multitude of measures, and I don't think that the other measures have been considered.

Mr. HOFFMAN. But in advocating this bill you do advocate that when private enterprise fails, the Federal Government public works take over?

Mr. SMITH. No; I did not limit my statement to public works. As a matter of fact, I have written a document that indicates the limitation of public works as an employment program.

Mr. HOFFMAN. The bill provides in subsection (e) on page 3:

To the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment.

Mr. SMITH. Yes.

Mr. HOFFMAN. Do you support that?

Mr. SMITH. Yes; but—

Mr. HOFFMAN. Yes and No? Or Yes?

Mr. SMITH. Yes.

Mr. HOFFMAN. But a moment ago you said you did not advocate the expenditure of public money to provide jobs.

Mr. SMITH. This bill does if it is necessary. I am against it under any other circumstances.

Mr. HOFFMAN. Against what?

Mr. SMITH. Against spending public money unless it is absolutely necessary to provide jobs. My hope is that this measure will bring about a coordinated consideration of all of the other issues which, in my judgment, have been heretofore neglected in considering employment; but when those things are considered and the job is not done as I think it could very well be done, then I certainly am not in favor of spending public funds.

Mr. HOFFMAN. Is it your position that there will always be some unemployment, but that you hope by examining something you can ascertain new ways of providing employment through private enterprise, and if that does not succeed, then you do advocate the spending of public funds on public works to take up that slack?

Mr. SMITH. Not necessarily public works, but whatever needs to be done.

Mr. HOFFMAN. How are you going to spend public money if not for public works? What is your theory on that?

Mr. SMITH. You might have a subsidy on interest rates for farmers. It would not necessarily help employment, but it has an indirect effect.

Mr. HOFFMAN. Or you might purchase surplus commodities?

Mr. SMITH. Yes.

Mr. HOFFMAN. Or you might pay subsidies to restrict price advances, increase production?

Mr. SMITH. Having looked over legislation—

Mr. HOFFMAN. Would you do that?

Mr. SMITH. I am not sure what I would do. But having looked over legislation that is now on the statute books, I can assure you that the Congress has approved doing all of the things I mentioned at some time or other. But I am not saying how this should be done. I do not want to be in the position of saying what should be done.

Mr. HOFFMAN. I remember Dr. Townsend being before the Ways and Means Committee one time, and he unfolded his scheme for an hour and a half, and at the end, Mr. Doughton, the chairman of that committee said, "Doctor, we understand your plan. Where can we get the money to do this?"

Dr. Townsend replied, "That is for you gentlemen to determine."

Your ideas, as I get it, is that this is all right, but it is up to us to make it work. Is that it?

Mr. SMITH. No; I am saying that all that we are talking about here is a procedure. I have less right than you have to speculate about the public policy involved. What we are talking about is a procedure entirely.

Mr. HOFFMAN. Which you come in and advocate that we adopt?

Mr. SMITH. If you wish to put it that way.

Mr. HOFFMAN. Now tell me how we can make it work and not get into a hole. That is all I am after.

Mr. SMITH. My feeling is that we will all be in a bigger hole if we do not work something like this. I think there will be missteps under it, just as there are under any scheme, but I do feel that something of this nature is important.

Mr. HOFFMAN. If the Government loans money to private enterprise to assist in creating jobs, would you advocate that it exercise some control over the operations of the corporation or individual receiving the loan?

Mr. SMITH. Well, yes. I think we have some controls over all loans that are made by the Government. But, again, I am not advocating anything except the procedure of this bill.

Mr. HOFFMAN. I do not understand your statement on page 2, as the end of the first paragraph [reading]:

It expresses in legislation the declarations of both Presidential candidates in the last election, and it gives the world assurance that we intend to carry out a pledge expressed in the Charter of the United Nations.

What is that pledge?

Mr. SMITH. I have a copy of it here. I have read it a great many times. It refers to the objectives of full employment.

Mr. HOFFMAN. You do not mean that we promise in the Charter to bring full employment to people of other nations, do you?

Mr. SMITH. No, sir; I do not. I am only referring to that section.

Mr. HOFFMAN. Do you mean we promise other nations, in the Charter of the United Nations, that we would give full employment to our own people?

Mr. SMITH. We declare that as an objective. I will read it:

With a view to the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations, based on respect for the principle of equal rights and self-determination of peoples, the United Nations shall promote (a) higher standards of living, full employment, and conditions of economic and social progress and development, (b) solution of international economic, social, health, and related problems and international culture, educational cooperation,

And so forth. That is what I referred to.

Mr. HOFFMAN. Have any of the other nations who signed up done anything, so far as you know, to carry out that pledge?

Mr. SMITH. I do not know what has been done legislatively. I could have left that out of this testimony, and perhaps should.

Mr. HOFFMAN. Do you think perhaps you ought to leave it out?

Mr. SMITH. Perhaps.

Mr. HOFFMAN. This bill contemplates aiding private enterprise to employ more men; does it not?

Mr. SMITH. Yes.

Mr. HOFFMAN. Will you tell me whether or not there is any provision anywhere in the bill or, so far as you know, any move to require employees to assist in that program by continuous service?

Mr. SMITH. No. This, again, is a procedure bill.

Mr. HOFFMAN. Take this hypothetical case. I have a factory. It is necessary that it operate 6 days a week. I can employ a million men. The jobs are there. Do you think I can continue to give employment each day in the week and for subsequent weeks unless there is somewhere some provision that will give cooperation by the employees by way of continuous work?

Mr. SMITH. I think that it certainly indicates a need for improvement in our labor-relations machinery.

Mr. HOFFMAN. Now, listen. Aren't you satisfied that no man or corporation can operate a business giving employment unless there is some assurance that the employees will continue at their jobs?

Mr. SMITH. That is quite true. But where do you come out? Do you come out with coercion for labor? That is not part of our system.

Mr. HOFFMAN. No; and I do not advocate, and I do not assume that you do, the abolition of strikes. Do you?

Mr. SMITH. No.

Mr. HOFFMAN. You and I both would let them strike?

Mr. SMITH. I think we would probably have to.

Mr. HOFFMAN. Whether we did or not, if they did not want to work I would not make them work; I would wait until they got hungry and wanted to work.

Mr. SMITH. That is right.

Mr. HOFFMAN. What this bill says is this: That all Americans able to work and seeking work have the right to useful full-time employment, and it is the policy of the United States to assure the existence at all times of the opportunity to work. Are you in favor of that?

Mr. SMITH. Yes.

Mr. HOFFMAN. Do you think that can be accomplished without a reciprocal obligation on the part of the American people seeking work to work?

Mr. SMITH. I think most people desire to work. I think the majority of people do.

Mr. HOFFMAN. Conceding all that, you say that I, for instance, have a right to work. That means that you must create a job and give it to me, does it not?

Mr. SMITH. To you and a lot of others. That would be the Government policy; yes.

Mr. HOFFMAN. We are just using that as an example. You have got to create a job under this bill and give it to me. If you do not, the gentleman at the end of the table, who is the Government, will create one and give it to me. That is the substance of it, is it not?

Mr. SMITH. Yes.

Mr. HOFFMAN. You have a job and I have the right to work for you, even if you don't like me, and I am going to work Monday, Tuesday, and Wednesday, but I don't want to work on Thursday, Friday, and Saturday. How are you going to keep that job available to me without some obligation on my part to render service to you?

Mr. SMITH. I think, obviously, that if you only work those few days you are not going to hold the job very long. You might have done that in a manpower shortage, but you certainly could not where there was unemployment.

Mr. HOFFMAN. We both agree that a man cannot be made to work under our system?

Mr. SMITH. Yes.

Mr. HOFFMAN. But you advocate the doctrine, do you not, that someone must use his efforts to create a job so that even if a man does not want to work he will have the opportunity to work?

Mr. SMITH. I assume it would work out that way. I am not advocating it.

Mr. HOFFMAN. You are advocating this bill?

Mr. SMITH. Yes; I am advocating the procedure of the bill.

Mr. HOFFMAN. And this bill tells a proportion of the population that it must get busy and create jobs for all who want them, any time and all the time, does it not?

Mr. SMITH. No; it does not.

Mr. HOFFMAN. And if they don't, then the Government itself will create those jobs. Is that right?

Mr. SMITH. No; I don't think it is. I think this bill adjusts governmental policy in the most favorable way to permit private enterprise to expand and develop jobs. If we cannot adjust governmental policy to do that in terms of the things that affect private enterprise, then there will be a field in public works or whatever other measures seem to be desirable.

Mr. HOFFMAN. You will admit, will you not, that private enterprise is not going to provide jobs if it cannot make a profit?

Mr. SMITH. In general.

Mr. HOFFMAN. In general, private enterprise is not going to provide jobs except as it gets a profit, is it?

Mr. SMITH. That is right.

Mr. HOFFMAN. You still cannot suggest to me, can you, any way by which private enterprise can go ahead and provide jobs unless it is assured of employees who will work continuously?

Mr. SMITH. Well, even if you are assured of employees who would work continuously—and there were plenty of them through the depression that wanted work—yet at times private enterprise could not go ahead because of a lot of other factors in the picture. It is not that simple.

Mr. HOFFMAN. We have got along to the place where private enterprise must provide these jobs. You are private enterprise, and I want a job, but you are not paying what I want. Who is going to say you have to pay me what I want before I go to work?

Mr. SMITH. I don't know.

Mr. HOFFMAN. If we are going by law to put upon private enterprise the burden of providing jobs, someone must say, in order to get those employees to work, how much shall be paid and under what conditions they shall work. Must there not be someone to decide that?

Mr. SMITH. Was not that decided, at least in part, by collective-bargaining machinery? Is that any different problem than we have now?

Mr. HOFFMAN. They do not seem to be working, when the General Motors employees are asking for a 30 percent raise and the Steel fellows are asking for a like increase. There are 400,000 that are not working. What are you going to do about a situation similar to that? Someone must tell private enterprise what it has to pay. Who is going to do that?

Mr. SMITH. I don't know.

Mr. HOFFMAN. I don't know either.

Mr. SMITH. Is that any different problem than we have now? I don't get the point.

Mr. HOFFMAN. The point is that you are going to require private enterprise to give me a job, and I don't want to work for the price that private enterprise offers, and in order to get the two of us together there must be somewhere along the line someone—

Mr. SMITH. The point is that there is nothing in this bill which requires private enterprise to give you a job.

Mr. HOFFMAN. There is where I disagree with you, because the bill expressly says that if private enterprise does not do it, the Government will.

Mr. SMITH. That is something different. This bill, I think, provides the machinery solely for the consideration of all of the policies that have an impact upon employment.

Mr. HOFFMAN. Every job created by the Government under subsection (e) would come into competition with jobs offered by private enterprise, would it not?

Mr. SMITH. No, not necessarily. Public works, for example, might stimulate private enterprise.

Mr. HOFFMAN. By creating jobs in the production of material, and all that?

Mr. SMITH. Yes; but public works, at a time like this, on an extensive scale, might very well in turn be hampering to private enterprise.

Mr. HOFFMAN. Is it not true that a Government job is always easier than a private job—a softer job, may we say?

Mr. SMITH. Well, I would emphatically say that there are situations where that is not so.

Mr. HOFFMAN. That is all.

Mr. WHITTINGTON. Mr. Chairman, I have no disposition to detain Mr. Smith.

I think you have gone to the crux of this problem when you state that the passage of this bill by no means solves any problem of unemployment or of production. As you stated, your understanding is that this bill proposes to provide employment through encouragement and through the continuation of private enterprise, with the statement that if private enterprise does not do it, the Government is to supplement private enterprise to provide for that employment, with a general mechanism here as to how in the future that supplemental support will be provided.

Mr. SMITH. That is correct.

Mr. WHITTINGTON. Mr. Smith, here is what is bothering me about this whole problem. There are, I think you will agree, two schools of thought. One is that the Government ought to go into collectivism and that the Government ought to provide employment. That does not obtain generally in our country, but that is one school of thought. Some people want the Government to operate factories and transportation so that it will provide jobs by entering those fields of endeavor. But there is the other school of thought that favors a continuance of our competitive system, and the ideal would be to combine the best in both; that is to say, where we could use the Government in matters that were strictly governmental, do that, and where we can solve the problem in private employment, do that. But this bill, after all has been said and done, does not provide the actual details as to how private enterprise is to be promoted, does it?

Mr. SMITH. It does not. It does not settle any of those issues.

Mr. WHITTINGTON. It does not provide, on the other hand, any details as to how the Government is going to supplement private enterprise through the competitive system in providing employment?

Mr. SMITH. That would be hammered out under the procedure of the bill.

Mr. WHITTINGTON. That is what is bothering me. I am sympathetic in not wanting unemployment to occur. I want to prevent these booms and depressions; but I do not believe this bill, or any other single bill, from my experience through the years, is going to solve the problem. It takes legislation to provide for manufacturers. It takes legislation to provide for agriculture and other lines of endeavor. So that I think the continuance of our competitive system is going to depend upon whether we continue to make possible our competitive and capitalistic system. If we pass a bill of this sort now, which is largely psychological, the thing that disturbs me is, will not the disadvantages outweigh the advantages in this regard, that there will be people who will not be inclined to work because they will say that "the Government will provide for me in the event I don't do this work." That is what is bothering me about this whole bill. Psychologically will we not promote, by the passage of this bill, in holding out hopes of that kind, the unemployment that we do not want? That has disturbed me a lot about this legislation. As you have indicated in your statement, that is one of the things that this bill does not do; and it is not a panacea and it does not cover the matter from the beginning. That has bothered me tremendously, having those factors in mind at a period now when there should not be any unemployment whatsoever, a period of our highest productivity, of our highest organization, of the greatest need of the people of our own land, our civilian population, for the absorption of all the labor we have, and with the money on hand and in our savings accounts actually to go into the work. It bothers me that, psychologically, we will promote defeatism in the solution of our troubles that we will likely have and have always had.

I am just wondering if you would care to make any statement about that, because I am sure that those things have occurred to you as they have to us.

Mr. SMITH. I suspect you are a better psychologist than I am on that point. I think that it would be unfortunate to give the impression that this bill solves the problem of unemployment, because, as I have indicated, it does not. I think that we are striving here for machinery which will lead us in the direction at least of the partial solution of that problem, but I think that it is quite right that we ought to be careful not to claim too much. I think in the discussion this afternoon, where I may have seemed to be quibbling over terms, I wanted to be careful that I got into the record what I considered to be cautious statements on that point.

Mr. WHITTINGTON. In supplementing the competitive and capitalistic system I have in mind the WPA, with respect to which I know as a practical businessman and an observer that there were many citizens who were disinclined to work in private employment because they said, "I can work on this half-way job and my Government will look after me."

That is what is bothering me about this bill. I am just wondering if we are not going to encourage people to look to the Government to support them rather than undertaking to support the Government. I know the difficulties, because the more money the Government spent in our depression—and we had to spend a lot of it—the less business and private enterprise spent. I am just wondering now if by lulling

the people into a sense of security at a time when everybody that wants a job can get it, we will not do our economy a disservice.

Mr. SMITH. I think I would be inclined to argue here that under the procedure set up—and I have emphasized procedure—you would examine every governmental policy and every governmental action to see whether or not it conflicts with private enterprise. I hear all kinds of arguments on the subject, that there are governmental policies that do affect healthy private enterprise; but under this bill you get an examination of the whole rather than a partial examination such as we now pretty generally have; and that seems to me to be pretty important.

It may be that there would be those who, as a result of the publicity and so on, would feel that this was the end of all problems of unemployment. Of course, that is ridiculous. This is just the beginning of a procedure which I think is more orderly than we have now for considering these issues.

Mr. WHITTINGTON. I appreciate that, but I believe that the long-range fundamental problem will be more nearly solved if we can more nearly define the real functions of Government as contradistinguished from the functions of private enterprise and announce to the people of the country that the Government is going to stick to governmental functions and we expect private enterprise under the capitalistic system to stick to that, rather than lulling the people into a sense of security.

Mr. HOFFMAN. Will the gentleman yield right there?

Mr. WHITTINGTON. Yes.

Mr. HOFFMAN. What is it that prevents the real objective of this bill, being attained without the legislation?

Mr. WHITTINGTON. That is what bothers me. I think we can realize it without any legislation whatever. If there ever was a time, as I see it, from one end of the land to the other when every man can get a job, that time is now.

Mr. JUDD. Don't you think the country might be better off if we would go home and let government get out of the way of the capitalistic system?

Mr. WHITTINGTON. This bill came up last January, before the German war was over, and certainly before the Japanese war was over. I tried to take a national viewpoint, and I have not heard of any part of our country where people are unemployed and cannot get jobs. There is a time for all things, but I am doubtful about this being the time for us to encourage folks to depend on Government rather than giving our competitive system a chance to function.

That is about all I want to say. I have made a statement rather than asked a question, because I think you went to the crux of the matter when you stated at the conclusion of your remarks that this bill does not solve the question.

Mr. BENDER. I have read this bill from cover to cover and I have had hundreds of letter and folders from people for and against this bill, and from what I have read in the bill and from the letters and circulars for and against the bill, they are talking about something other than is contained in this bill. What do you say about that?

Mr. SMITH. I have not read those publications, but I would think, from some impressions I have, that there is a good deal to that, that the bill is misunderstood.

Mr. BENDER. I don't know; maybe I can't read very well. Of course I only had an ordinary schooling. I am not decorated with all the keys Brother Hoffman has. But I have read the bill carefully and I have read some of the propaganda about it, and it seems to me that they are talking about something totally different.

Mr. HOFFMAN. Will the gentleman yield?

Mr. BENDER. I am not going to debate with you. You are my master in that.

Mr. HOFFMAN. I am not debating and I haven't any keys except to my home and office. I want to see if I understand you. As I get you, you are of the opinion that this bill, while it promises many things, will not create one single job for the man who wants to work; that it is a sort of peace-on-earth-and-good-will-to-men proposition, something that everybody would like to have, but it does not do anything toward providing jobs?

Mr. BENDER. I am rather afraid of that.

Mr. HOFFMAN. You think it is a fraud on the workingman?

Mr. BENDER. No; I wouldn't say that. I would say that it is full of—

Mr. HOFFMAN. False hopes?

Mr. BENDER. Pious phrases.

Mr. HOFFMAN. That does not mean anything?

Mr. BENDER. The guaranties, in my opinion, are not here. Maybe I am mistaken about it.

Mr. HOFFMAN. As a champion of the workingman, as you have always been, you cannot support a bill which does not really, in your judgment, give the workingman anything?

Mr. BENDER. That is very kind of you, to say that I am such a champion.

Mr. JUDD. Do you suppose all this support for it could have been mobilized if the people did not believe it was somehow guaranteeing them full employment? The use of the term in the United Nations Charter is now interpreted as being a pledge that we will produce full employment, a pledge to follow through with legislation or appropriations that will somehow produce full employment.

Mr. BENDER. Don't you think it is desirable that we provide employment for our people?

Mr. JUDD. Certainly I do.

Mr. BENDER. Don't you think it is desirable that we follow through on some plan to improve conditions?

Mr. JUDD. Yes. But if the passing of this bill in its present form constitutes a guaranty, it is a very significant change from anything we have previously had.

Mr. BENDER. Does the gentleman from Minnesota feel that it does?

Mr. JUDD. I am trying to find out. That is what the hearings are for.

Mr. BENDER. Do I have the floor with the witness, Mr. Chairman? I think I have. I have not interrupted anybody.

The CHAIRMAN. Yes. You may proceed.

Mr. BENDER. Mr. Smith, what do you think this bill really does, in a few words?

Mr. SMITH. With all modesty, I do not think it can be better stated than the two points I have made here, and I think that they are not insignificant. The bill proposes that the Federal Government ac-

knowledge that it has the responsibility to provide opportunities for full employment through private enterprise with whatever Government support is needed. I have read a lot of legislation in my short lifetime, and I think I know a little of what the English language means, and I think that is a very important commitment which the Congress makes if it passes this bill. I do not think there is any dodging or denying that that is a very significant thing.

Mr. HOFFMAN. Will the gentleman yield right there?

Mr. BENDER. Yes.

Mr. HOFFMAN. Does not that commit us to a change in our national policy?

Mr. SMITH. I do not think it does, necessarily. I think you have had this sort of a commitment creeping up on the Government for a long time.

Mr. HOFFMAN. Of course, the Constitution, in the preamble, provides for the general welfare; but up to this time has it not been our theory of government that, other than the unfortunate and the helpless, every individual stands on his own feet and makes his own way with protection by the Government from others who would take advantage of the individual?

Mr. BENDER. Does this bill change that in any way?

Mr. HOFFMAN. That is what I am asking.

Mr. BENDER. I would like to know from Mr. Smith if the laws of the various States have not been changed regarding working conditions. We once had a 12-hour day and now we have an 8-hour day by governmental action; is that correct?

Mr. SMITH. Yes.

Mr. BENDER. We did not have minimum-wage laws for women. We now have them and we accept them. What I would like to know, in line with your statement regarding this bill, wherein are the guaranties of full employment?

Mr. SMITH. I have made it very clear, I think, that this does not assure specific jobs. But I would like to make my second point. I gave you my first one as to what the bill does. The second one is that the bill provides legislative and executive mechanism for the formulation of policies designed to offer people employment opportunities. I think those are the two major things in this bill.

Mr. BENDER. Can you point to the line where that second provision is guaranteed?

Mr. SMITH. You mean the procedure? The procedure is completely outlined in the bill. Aside from the preamble and the statement of policy, I would say that the whole bill is devoted to mechanism, to this second point. That is my interpretation of the entire bill. It says how the President shall present estimates and recommendations.

Mr. BENDER. Is any penalty provided?

Mr. SMITH. No, sir. We do not provide any penalty for the President. If we ask him to do something and he fails to do it, there is not much that the Congress can do about it, except in an indirect way.

Mr. BENDER. What penalty is provided for industry if it fails to perform?

Mr. SMITH. There is nothing of that sort in this bill—nothing.

Mr. BENDER. You will pardon me, Mr. Smith; I am not being facetious about this.

Mr. SMITH. I understand.

Mr. BENDER. I am trying to get exactly what we are driving at here and to know that our people understand this legislation fully, that they are conversant with it. I have had such an abundance of correspondence, I have heard radio speeches, and even in the schools they are talking about this. My young child came home with a school paper containing two pages on full employment, and, frankly, that school paper had arguments about this proposition that are not contained in the bill. As a matter of fact, I went over it in detail with several children to try to find wherein the bill contains the provisions that the paper represented for the assurance of the kind of employment that is talked about. Frankly, it is just like singing, "Onward Christian Soldiers * * * Like a mighty army moves the Church of God * * * We are not divided: all one body we." That is a hope, an aspiration. It is not a reality.

Mr. HOFFMAN. Or Throw Out the Life Line or Rescue the Perishing.

Mr. BENDER. We sing, "Like a mighty army moves the Church of God." You know that is a hope and an aspiration; it is not a reality. The thing I am wondering about is how much of this is hope and aspiration and how much is real.

Mr. SMITH. My answer which I have tried to make to that is that this is a mechanism. In farm terms I would say it is a harness which ties the Executive and the Congress together in connection with the problem of whether governmental measures do or do not affect employment. I think that is the important thing here. It is all-important from my point of view, sitting where I do. That is simply aside from the declaration of policy, which is an important issue. The mechanism is something that we do not have now in the Government, which, to my judgment, is very important. All of the implementation of this comes at a later time when you examine all of these policies that may or may not have some bearing upon employment. That is the picture of this measure as I see it.

Mr. BENDER. I will not ask any more questions. That is your view. I frankly fail to see in this bill what both the proponents and the opponents see in it, and from your testimony I would gather that my contention is correct.

Mr. SMITH. I think your contention is correct, that there is not anything here that provides anybody a job in any specific fashion whatsoever. I think that is right.

Mr. JUDD. If you have answered these question, Mr. Smith, when we were in and out during the afternoon, answering roll calls, please say so. My first question follows up what we have been discussing.

If this bill, as you say in your testimony, does not solve the problem of unemployment, do you or do you not think that it is a little inaccurate, perhaps even a serious mistake, to call it the full employment bill and give people the impression, as certainly they have the impression, that it will give full employment and solve the problem of unemployment?

Mr. SMITH. When you make a speech or when I make a speech we have problems with the title. I suppose the authors of this bill were confronted with exactly the same situation. But in view of the statement of policy, the title by which it is known is not certainly unrelated

to the subject. If the use of the title has given the impression that this is the answer to all of our problems, then I think it is very unfortunate. I would not be able to provide a better one.

Mr. JUDD. It is either an inaccurate statement of what the bill does or else the bill is a flat pledge to solve unemployment, is it not? Which do you think it is?

Mr. SMITH. I think it is a flat pledge. That is the way I read it.

Mr. JUDD. That seems to disagree with your first answer.

Mr. SMITH. I want to understand your terms. I mean by that that it is a flat pledge on the part of the Government to take a hand in providing full employment. That is the intention of it, stripped of all of the verbiage, as I have stated, and that is the way I read it.

Mr. JUDD. But it is not, as you conceive it, a flat pledge to assure that everybody has a job?

Mr. SMITH. No.

Mr. JUDD. Then of course it should not be called a full employment bill.

Mr. SMITH. Perhaps that is logical from that point of view; but the implementation of the bill, in terms of what will be done, of course, is not here. This is just the mechanism.

Mr. JUDD. In the beginning of your statement, on the first page, you say you are convinced of the urgent need for this kind of legislation and that in watching the full employment bill develop and improve as a result of continual discussion in Congress and throughout the country you have become more and more convinced that the bill, particularly as revised by the Senate Committee on Banking and Currency, can fill this need.

Is it your view that the changes made by the Senate Committee on Banking and Currency have improved this bill?

Mr. SMITH. Yes; I think they have. It seems to me they have.

Mr. JUDD. All of the changes?

Mr. SMITH. In general; yes.

Mr. JUDD. Each of those revisions and amendments you approve?

Mr. SMITH. Yes. I would say in general that is right.

Mr. JUDD. On page 5 you speak about submitting a "tool chest" of Government policies, that is, fiscal policies, which can have so much effect upon our economy for good or ill. Is that going to be available to us, too?

Mr. SMITH. Yes; it is available in the record.

Mr. JUDD. You speak of a fiscal policy which will be "one of our major weapons both in avoiding depressions and in combating inflation," and you say, "I believe that fiscal policy, both on the revenue and the expenditure sides, is the most potent weapon we have for influencing markets and employment."

Suppose that the President presented his National Budget, his estimate of what private industry was going to do and what the fiscal policy of the Government was going to be, and suppose his estimate was quite optimistic. What would you suggest the effect of that might be on our economy? What would private enterprise be likely to do if the President came out with a quite optimistic prediction as to what business conditions were going to be during the next year?

Mr. SMITH. I would expect industry in the main to respond unless it were clear that statisticians of industry had contrary information.

In the revision of the Senate bill they made consultation with industry, agriculture, and so on mandatory. There is a good deal of consultation now on the statistical series, so I assume the President would not be optimistic unless the factors at that time were optimistic.

Mr. JUDD. The very fact that his prediction was optimistic—what kind of a climate would that be likely to produce, in view of the fact that, as you say, fiscal policy is probably the most influential factor in determining the state of our economy?

Mr. SMITH. It would be an optimistic climate, provided it was a statement that was backed up carefully.

Mr. JUDD. And would the fact that it was made tend to make people think it was a good time to expand and invest and enlarge their business ventures and thereby increase the danger of the thing that the gentleman from Texas has talked about, runaway and ruinous inflation?

Mr. SMITH. I think that an optimistic statement would create a certain amount of optimism. But I find, in talking with businessmen, particularly those who are in the smaller organizations, who do not have available to them good statisticians and economists to analyze a prediction, have this fear or that fear. I think that bringing out the facts in debate makes every businessman in a sense an economist, either good, bad, or indifferent, and it at least requires every person to try to take a national look, even at his own business. He may say, "I will employ this short-run policy," which will mean that his profit for a short run will be increased, let us say. But if he were aware of some governmental move he might say "I think this is short-sighted. This runs us into unemployment. I will adopt quite a different policy."

Mr. JUDD. That brings me to my second question. Suppose the President makes a report, based on his evidence, that is pessimistic, and he tells us we are probably going to have to increase our Federal expenditures for public works because private business expectations are not good: what kind of a climate do you think that is likely to cause? Don't you think there would be considerable probability of its producing caution and hedging and contraction of ventures and therefore of employment, thereby creating the very thing that you are trying to avoid—depression and unemployment?

Mr. SMITH. Yes. There are dangers there. There is no question about that.

Mr. JUDD. Would not the President be in a position where, in order to avoid business depression he would either have to conceal the true facts, if unfavorable, and not give a truthful report, or else tell the truth and precipitate the very thing that we are trying to avoid?

Mr. SMITH. He could do either.

Mr. JUDD. Is it not human psychology, if bad times are predicted, to go even more carefully, and instead of expanding, private enterprise and creating more jobs, to contract business activities and thus have fewer jobs?

Mr. SMITH. I rather feel that this is an evolutionary thing. It is an educational process, and you get a better understanding. I do not think that people react that way if you can get the facts before them and also if they know that the Government will adjust its policies in accord with the facts. They do not have this emotional, psychological reaction if you could get better reporting and get the facts.

That would be my appreciation of it. I do think that we have faced the fact of a 25-billion-dollar budget, which, as I pointed out, is at least three times any previous Federal budget. There must be a good deal of discussion of that point, because, unless we can keep a healthy economy, a much larger national income than we have ever had before, we are not going to be able to carry this budget. That is what disturbs me.

Mr. Judd. I agree with you thoroughly that we have got to keep it going, but I am concerned lest this mechanism might defeat the thing for which it is set up.

You say you do not believe people react emotionally. What happened when OPA or WFA said there would be a shortage of a certain food? There was promptly a run on the stores, and so the Government had to quit announcing expected shortages or changes in points ahead of time.

Yesterday morning it was reported there was a shutting down of certain oil refineries, and when I came downtown, cars were lined up four deep at every filling station, getting gasoline.

If the President says that we have probably got to have further Federal expenditures because there is a recession coming, how can you avoid people immediately taking steps to protect themselves against such a possibility, reducing their commitments, and activities, and their employment? I do not know. I am asking you because it is your business.

Mr. SMITH. I am not a psychologist. You know more about mass reaction than I do. I have, however, a good deal of faith. I am judging from the kind of public policies that are taken in connection with all kinds of issues. The thing that amazes me is the general knowledge that people have of governmental and other policies. Take the case of sugar. If it had been made perfectly clear what the facts were with respect to sugar there might have been quite a different reaction. I think that may be true here. We are coming, it seems to me, to a point where we have to have more national thinking in terms that the man who is running a business and doing nothing else must relate his activity to a national government and the problems which it has to face, because he is a part of that government, more than he ever did before. He should not fear the national debt, but he ought to have a thorough consciousness that this is an important factor in his everyday life. He ought not to fear, perhaps, a \$25,000,000,000 budget. But that has got to be a part of his national thinking if he is a good citizen.

I am one of those who believe very much in the importance of congressional debate as an instrument of education and a compromise in working these things out. I think that is a very important function of the Congress; and I say, in turn, that there are many issues that Congress does not get a chance to debate for one reason or another.

Mr. Judd. I think that most of the lack of agreement is not as to the desirability of a cure for unemployment, but whether or not this is the right cure. It is like a patient saying, "Doctor, give me that pink medicine. I want it and demand it because I have been told that that is the one that is going to cure me." He has no knowledge that it is the right thing. He has faith in it. But if

it isn't the right medicine it won't cure him. I want to be sure that this is the medicine that will do the job, and to be sure that it does not contain elements which will create the very conditions that we are trying to alleviate.

Mr. SMITH. I was not wholly sold on this mechanism in the beginning, but I have spent a great many prayerful hours thinking about it and thinking about the national problems, the elements of which are pretty acutely in my consciousness, and I came out with a strong personal feeling that this is a mechanism we need in order to get to the public fore. I said, before the Senate committee, somewhat facetiously, but nevertheless seriously, that I was weary with discussions that the Government was going to the left or to the right, whereas, as a matter of fact, to my point of view it was blowing up in the center. I think this mechanism brings to the fore and to public consciousness these issues through debate.

Mr. JUDD. I am glad to have your testimony on that, because you are the fellow that is on the spot. It is your Bureau more than any other which will be responsible for these predictions. It will be largely in your hands. I hope you will not miss it as far as they missed predictions as to the hog population a couple of times, and that sort of thing. If you have considered all those possibilities and your own vulnerability in case you should guess wrong by wide margins, and you still come out stronger for it than when you went into the study, then I think that testimony is of great value.

Mr. SMITH. Any way you look at it, it is a great responsibility of both the Executive and the Congress. I cannot see how that responsibility can be avoided, either in terms of this or some other mechanism. That is the practical thing about it.

The CHAIRMAN. Are there any further questions?

Mr. HENRY. Mr. Smith, you agree, do you not, that the passage of this bill will cause added Government expense?

Mr. SMITH. I would say, to some extent, yes. Being an expert on that subject, I naturally may be cautious.

Mr. HENRY. Do you believe a planned economy, such as this bill contemplates, should be adopted regardless of the cost to the taxpayers?

Mr. SMITH. Now you are getting me onto more and more dangerous soil. Does this bill say that it is planned economy?

Mr. HENRY. You consider it such, do you not?

Mr. SMITH. No; not from the terms of it. I consider that this bill is our chance to maybe avoid such an economy.

Mr. HENRY. Well, then, do you believe that this bill should be passed regardless of its cost to the taxpayers?

Mr. SMITH. This bill will not cost the taxpayers anything. Maybe I misunderstood your question. What I answered earlier was to the effect that I thought that the passage of this bill will sharpen up consideration of the statistical apparatus of the Government. You may get some additional expense there, although I think there is a great opportunity still for economy. I do not know really how that would work out. If you are thinking of expenditures in terms of an implemented full-employment program, that will come into other legislation which would be considered under this mechanism.

Mr. HENRY. Whatever expenditures this would necessitate you feel would be a good investment, then?

Mr. SMITH. Yes.

Mr. HENRY. Do you believe we can pass this bill and at the same time meet all the other necessary Government expenses, including interest on our indebtedness, reduce the principal of the national debt and also reduce taxes?

Mr. SMITH. Certainly, because with or without the bill you have the other things. If the bill does not increase the cost of the Government, I am trying to point out that you turn all these other things you mention to the question of whether they do or do not hamper employment. I do not think, aside from my reservation, which was a slight one, as to what might happen to any staff services that are required to furnish information under this bill, that this bill will increase the cost of Government.

Mr. HENRY. We must assume, must we not, that there is vast unemployment contemplated, and therefore this legislation is necessary; and if we have vast unemployment it would necessitate additional expenditures on the part of the Government to provide employment?

Mr. SMITH. I hope that this bill will help to avoid such a situation. It is my sincere belief that it will.

Mr. HENRY. Does not the bill provide that in case of unemployment that cannot be met by private enterprise, the Government will try to meet it?

Mr. SMITH. Yes.

Mr. HENRY. Would not that cost money?

Mr. SMITH. It would; but you have got the first test that you do not want to overlook here, that this bill provides in its mechanism for the reconciliation of Government policies in such a way that it will promote private enterprise. If we must rely upon governmental expenditure solely to do this job, I am prepared to say to you that you are going to have quite a different form of economy in this country than we have right now.

Mr. HENRY. Do you think that any President can be superhuman enough to accurately estimate so far in advance the contemplated production and the number of necessary workers to accomplish that production?

Mr. SMITH. Well, we have got to have plans. We have the General Staff of the Army to provide plans, and they make calculated estimates of all sorts of things; and we have to estimate revenue and expenditure. Maybe we do not do too well, but it is better to have those estimates. I think it does not depend upon the omniscience of any one person. This is the best enterprise, unequalled in organization, anywhere, perhaps, in the world, and you provide staff facilities and organize the job to do it, and that is the only way it can be done.

Mr. HENRY. Mr. Smith, it is quite different, is it not, to estimate the Federal Government's receipts and expenditures than to estimate the volume of production for 18 months or 2 years in advance? It is quite a different problem, is it not?

Mr. SMITH. No. The Treasury has to consider all of these economic factors when they estimate revenue. They have to figure out and make some assumptions with respect to the future national income. It is not a new thing. On the expenditure side there is a little different problem.

Mr. HENRY. If this bill is so helpful to private enterprise, why is it that private enterprise by and large seems to oppose it?

Mr. SMITH. Well, the representatives of private enterprise are going to have to speak for themselves, as they have, I understand, through the Committee for Economic Development, and others. I cannot answer that question any better than you can answer it.

Mr. HENRY. What is it that prevents the realization of the objectives of this bill without this legislation?

Mr. SMITH. I am not fully aware of what the sponsors have in mind with respect to the measure, but I think this is the answer to your question: That the President could go ahead under current circumstances and present in connection with his Budget, in his Budget message, a good deal of this material. However, it seems to me, from the standpoint of our Government and the separate branches of the Government, that such a move on the part of the President would not be too effective unless there was a statement of policy on the part of the Congress. As I have indicated, I think that this ought not to be discretionary with the President, but ought to be a part of his legal obligation just as you have spelled it out in connection with the Budget and Accounting Act—a very definite procedure. The Budget procedure would not have been possible at all if the Budget and Accounting Act had not been as strong as it is.

Mr. HENRY. While it is true that the President has recommended some such measure in his message, you would not say, would you, that under present circumstances without this bill he is prevented from proceeding in that way?

Mr. SMITH. No; I would not say that.

Mr. HENRY. So there is nothing to prevent the President now from making his recommendations and stating his findings and asking the Congress for legislation to stop unemployment?

Mr. SMITH. I think that is correct.

Mr. HENRY. That is all.

The CHAIRMAN. I hate to ask you a question this late in the day, Mr. Smith; but along the line that Mr. Henry brought out, I am just wondering if it is too late for the Bureau of the Budget to prepare a trial budget and turn over to the President to be submitted to us in his annual message to the Congress in the first part of next year, and see whether or not this system would work. Of course we realize it is now too late to have a complete budget prepared for the next fiscal year. I just wonder if it is asking too much to prepare a budget, assuming this law is the law of the land today. Of course under the Constitution the resident can transmit such a Budget message to us. I am wondering if you can send us up a trial budget and see how it works out, and then maybe Congress will be willing to take some of the responsibility off the shoulders of the President.

Mr. SMITH. I do not think anybody asks too much of the Bureau of the Budget, Mr. Chairman. We have some serious limitations in terms of staff, and now we are working on the regular Budget. But I would be glad to discuss the matter and see what we can do.

The CHAIRMAN. I think it would be very helpful, because if it works out to be beneficial I do not think there would be any opposition in the world to such a program.

I am also wondering whether or not you would favor an amendment to the bill providing that any expenditures under the provisions of this bill to promote full employment must be confined to the current revenues of the Federal Government, additional expenditures, of course, to come after the normal expenditures of our established Government agencies.

Mr. SMITH. I do not think I quite follow you on that.

The CHAIRMAN. Would you object to an amendment that would prohibit financing these projects by deficit spending and borrowing money?

Mr. SMITH. I think you would certainly tie your hands on that. You have certainly got to do something. If you ran into unemployment you would not finance the whole Budget at a time like that, out of tax revenues. We have not been able to do it during the war, and I doubt seriously being able to do it in time of depression.

The CHAIRMAN. Of course a lot of people claim that we have had full employment during the war, and we can have it in peacetime. But they lose sight of the fact that we have borrowed money from unborn generations, and unless we pay it back in the same dollars we have today, the tremendous debt we have will have a depressing effect.

Mr. SMITH. I think it is perfectly absurd to think of the wartime situation in terms of a peacetime problem. As you point out, people talk about having full employment during the war. Of course it is perfectly obvious that we did find that we had production potentialities that we were not wholly aware of, but it is perfectly amazing to me that we can produce \$100,000,000,000 for war.

The CHAIRMAN. Is not that a good argument for the present system of Government that we have?

Mr. SMITH. I am not arguing against it. I am asking for a government that fosters private enterprise; and I think that is what this bill does.

The CHAIRMAN. We did something that the totalitarian nations could not do under their system.

Mr. SMITH. Yes. I think democracy has a lot of dynamics. We were just scared when the Germans started to march over the world.

The CHAIRMAN. If we start out by declaring we are going to guarantee full employment and, at the same time, we announce to the investors of this country that we are going to finance these projects by borrowing more money, will not that have the effect of depressing industry and causing people to be a little scared to risk their capital to build factories, to employ people?

Mr. SMITH. I think it probably would. I think there are a lot of things that would scare people. I think there are a lot of things now that ought to be examined under a measure of this sort.

The CHAIRMAN. We do not know whether there is going to be a strike in the automobile industry. If there is, it will reduce the Federal income for this year and next year?

Mr. SMITH. I think we can argue to extremes and say that if we borrowed all the money to finance the Federal Budget it would create a condition of inflation, and we would surely run into a very serious situation. On the other hand, you would also run into a serious situation by locking the door if you close out all deficit financing. I think the point here is that all of these measures should be used with the best

estimating judgment we have available. I think Congress would be very silly to foreclose to ourselves any of them. I assume here that the thesis under this bill is that we are to proceed with the best intelligence we have, the best facts, and unify a lot of scattered policies. I do not see what we gain by limiting our action.

Mr. Judd. But there might come a time when we could not fulfill such commitments. There might come a time when we could not borrow any more, and yet we might have to borrow more to make good on this, if it is an absolute commitment.

Mr. Smith. I would consider it a statement of policy and objective.

I would say this is a very hard work-out, Mr. Chairman. This is the second time that I have sat here for 4 hours straight. I have to hand it to the committee for being patient.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington 25, D. C., October 8, 1945.

Hon. CARTER MANASCO,
*Chairman, Committee on Expenditures in the Executive Departments,
House of Representatives, Washington, D. C.*

MY DEAR MR. MANASCO: You and other members of the Committee on Expenditures in the Executive Departments asked me, after my testimony on September 25, to supply you with an estimate of the probable size of unemployment in the calendar year 1946. I pointed out that there are special difficulties in preparing such estimates at this time, and that any estimates given for this period of transition are subject to possible error. Nevertheless, I am sending you a staff memorandum which I hope will serve your purposes. The estimates have been made in consultation with various statistical agencies of the Federal Government.

Sincerely yours,

HAROLD D. SMITH, *Director.*

ESTIMATE OF UNEMPLOYMENT IN 1946

Projections of unemployment are made on a hypothetical basis, namely, the assumption that present legislation and present policies will be continued. No attempt is made to forecast future action of Congress. On the contrary, these estimates are designed to serve as a basis for formulating recommendations for future action and do not presuppose any new legislation or new policies. The estimates are based, furthermore, on an analysis of supply and demand factors and do not take into consideration the effects of possible labor-management conflicts. These are, therefore, hypothetical projections, not actual forecasts.

Labor force estimates as of the week preceding VJ-day were as follows:

	<i>In millions</i>
Total labor force.....	66.5
Armed forces.....	12.2
Civilian labor force.....	54.3
Civilian employment.....	53.5
Unemployment.....	.8

By the first week in September unemployment had risen to 1.7 million.

In order to estimate the probable development of unemployment during the next 6 months it is necessary first to estimate the probable development of civilian employment. The controlling factors in the development of civilian employment are:

(a) The cut in war production.

(b) The speed of reconversion.

War production (munitions and war construction) was running at an annual rate of about \$80,000,000,000 in the months before VE-day. War production declined gradually after VE-day to a rate of \$48,000,000,000 in July, and VJ cut-backs brought the rate down to about \$19,000,000,000 in September 1945. It is

expected to fall below an annual rate of \$10,000,000,000 by the end of the calendar year 1945.

At the same time reconversion will be getting under way. It is estimated, however, that during the next year reconversion will not fully absorb the workers discharged from war production. Early in the next calendar year, in the transition between a full war program and full reconversion, civilian employment may fall several millions below the figure just prior to VJ-day. With reconversion coming into full swing civilian employment by the end of the calendar year 1946 may approximate the pre-VJ-day level.

The development of unemployment is determined not only by the level of civilian employment but also by a number of other factors affecting the total number of people seeking employment. These factors are of peculiar importance during the period of transition. Largely because of these factors, an estimate of future unemployment is especially hazardous at this time. Most important in this respect is the rate of demobilization of the armed forces. All armed forces, which exceeded 12,000,000 at the time of VJ, are expected to be reduced to about 3½ million by the middle of calendar year 1946. These estimates are, of course, subject to possible changes.

During the same period there will also be a considerable further reduction in the labor force. Many workers, particularly older workers and married women, accepted employment during the war. Some of them will wish to stay in employment; most of them, however, may retire from the active labor force. Also, many discharged service men and women will not seek employment but will make use of the educational facilities offered to them. Partially offsetting these retirements from the labor force will be the normal additions resulting from population growth. By the end of 1946, it is expected that net retirements may total 3½ million.

Taking into account all of these factors—and allowing also for the seasonal swing in the labor force as children reenter school, etc.—we obtain an estimated peak of unemployment of 8,000,000 which may occur early in the calendar year 1946. That is an increase of about 6,000,000 over the level of unemployment in early September. It is further estimated that the progress of reconversion may reduce unemployment considerably during the calendar year 1946, although substantial unemployment would continue to exist.

It should be emphasized again that these estimates are based on present legislation and policy plans. They are not actual forecasts.

The CHAIRMAN. Our committee has been sitting that way for four solid weeks.

Mr. JUDD. We appreciate your courtesies in sticking with us.

The CHAIRMAN. We thank you very much.

The committee will stand adjourned until 10 o'clock in the morning. (Whereupon, at 6:25 p. m., the committee adjourned until tomorrow, Wednesday, September 26, 1945, at 10 a. m.)

FULL EMPLOYMENT ACT OF 1945

WEDNESDAY, SEPTEMBER 26, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES IN
THE EXECUTIVE DEPARTMENTS,
Washington, D. C.

The committee met at 10 a. m., the Honorable Carter Manasco (chairman) presiding.

The CHAIRMAN. The committee will come to order. Yesterday we sidetracked Mr. Patman to hear some other witnesses. Mr. Hoffman, I understand, has some further questions he would like to ask Mr. Patman.

Mr. HOFFMAN. I yield to Mr. Bender.

Mr. BENDER. I have no questions. I yield to Mr. Judd.

Mr. JUDD. Mr. Patman, I just want to ask one major question.

Mr. PATMAN. Yes, sir.

FURTHER STATEMENT OF REPRESENTATIVE WRIGHT PATMAN

Mr. JUDD. This question troubles me. You stated yesterday that the main purpose of this bill was to create a favorable climate or atmosphere under which private business will, as well as labor and agriculture, be confident and go ahead and pull out the throttle and really use our economic system to the full. Yet at the same time I remember that no Member of the House has been more concerned about inflation than you have. I wonder, if the President sends down his Budget under this bill and is very optimistic, predicts that times are going to be good, lots of purchasing power, industry is active, and it looks as if very little Government assistance will be necessary, perhaps none at all—what climate is that likely to produce, what attitude or state of mind is that likely to produce throughout the country in business, and so forth? May it not increase the danger of inflation?

Mr. PATMAN. It may tend toward the inflationary.

Mr. JUDD. Therefore, if the President finds the prospects are good and reports that to the country, it may well have an inflationary effect?

Mr. PATMAN. The bill anticipates that and make provisions against it as a safeguard. It will be the President's duty in a case like that to do something that will have a tendency to retard or prevent inflation.

Mr. JUDD. Such as recommending an increase in the tax rate?

Mr. PATMAN. Well, of course, that would depend upon the circumstances at the time, I think. That could be one of the things.

Mr. JUDD. Or to tighten up on credit facilities through the Federal Reserve?

Mr. PATMAN. Well, I think we have had in the past few years some examples of what can be done regarding credit facilities, installment loans, and purchases.

Mr. JUDD. Now, suppose the opposite takes place—suppose his predictions are pessimistic, and he says that we are pretty much exhausting the accumulated savings and there is reason to expect there will be a slowing down of business activity and the Government will have to be prepared to put in more, and so forth. Don't you think that, almost inescapably, would produce a feeling of caution and apprehension and reserve on the part of business and thereby create and foster the very slowing down of the economic processes which you are trying to avoid? Everybody would say, "I will wait before I expand; I don't want to get caught; I'd better lay off men rather than put more on. I'd better wait until next year before I build this new addition to my plant."

Mr. PATMAN. Under the existing order of things you are correct, but this bill is to provide against that. In other words, when he predicts a pessimistic situation, it will be overcome by the suggested remedies.

Mr. JUDD. Don't you think that an announcement that would be pessimistic would sweep over the country almost instantaneously and produce a hesitation that would precipitate the very thing you are trying to avoid?

Mr. PATMAN. Without, at the same time, a statement that would be optimistic or encouraging. And such a statement would necessarily be accompanied by one that would be encouraging.

Mr. JUDD. Suppose the President just couldn't find anything in the situation that was encouraging. You wouldn't want him to send out a false report, would you?

Mr. PATMAN. It is his duty under this legislation to plan for it, just as you plan a campaign for the years ahead.

Mr. JUDD. If he can't find favorable and optimistic factors, does he not have to make his report somewhat untrue or incomplete, or else produce a bad effect on the Nation's economy by stating the full truth?

Mr. PATMAN. We set forth a plan that he can use that will offset that defeatism.

Mr. JUDD. You are confident that it will work?

Mr. PATMAN. Of course, no one knows how well it will work, but the theory, I think, is good.

Mr. JUDD. That is the thing I am concerned about, the theory. The other morning about 8.30 o'clock it was announced over the radio there was a closing down of three of the main oil refining districts of the country, and by noon people were lined up a block long at the filling stations. Our people listen to the radio, and they have more information than in the past. You could produce a bad mass psychology, the same as when they announced they were going to have to ration certain things—people immediately swamped the stores to get those particular commodities and thereby create a much greater scarcity or shortage than there would have been without the announcement.

Mr. PATMAN. It has been that way all the time. We are just trying to have some plans for the future, just like you, in your business,

would plan for the future. This is government planning for the future.

Mr. JUDD. The whole point is, we are all in favor of the objective, but I want to be sure this mechanism will work. I want to get the patient well; is this the right operation for the patient?

Mr. PATMAN. Well, we know the existing order of things has not worked.

Mr. HOFFMAN. Will you repeat that last statement? I didn't quite get it.

Mr. PATMAN. We know the existing order of things has not worked, to the extent that we have had times of depression every 15 or 20 years, wiping out hundreds of thousands of businessmen and farmers in the lower brackets. Those are the first to be wiped out. That is what we are trying to avoid. In other words, we don't want to recognize as necessary a scheme wherein there must be a cycle of booms and depressions. We want to see if we can't avoid it. That is the object of this legislation.

Mr. JUDD. How can the Government, with any reasonable assurance, estimate the number of jobs that will be available when so much of it depends not upon just economic facts but upon these psychological facts?

Mr. PATMAN. I understand that they can estimate pretty well. They could in the past, but then they could do nothing about it. This gives the President the authority to do something about it.

Mr. JUDD. They weren't able to estimate very well on the number of hogs and cattle the farmers would raise, and things like that.

Mr. PATMAN. That depends not altogether on economic factors.

Mr. JUDD. And this doesn't depend altogether on economic factors. The economists decided they wanted more hogs, and they raised the support price to what they thought would increase them by 5,000,000 hogs, and they got 15,000,000.

Mr. PATMAN. Well, they might not get that many on account of the feed situation—

Mr. JUDD. But the reason for this marked increase was because the psychological effect on the farmers was enormously greater than they had anticipated. Then they said, "This is too big; we had better cut it down." The program designed to reduce the hog population 10 percent actually cut it down almost 30 percent, to use rough figures.

Mr. PATMAN. That is just one factor in our economy.

Mr. JUDD. But it is an illustration of the difficulty of prediction.

Mr. PATMAN. I know. I don't think it will be perfect. I don't think that we should expect it to be perfect, but I think it would be a great improvement over the present, just saying: "Let the worst come to the worst, and we will do the best we can," without any planning at all. It occurs to me that good judgment would dictate that we should try to plan against such things happening in the future, as a businessman would do it. You, as a businessman would do it. Why shouldn't we, as a government, do it?

Mr. JUDD. I think we should plan as a government. But I am not sure that these announcements of what is likely to come will not produce an exaggeration of the very thing you hope to avoid, either an inflationary or a deflationary condition.

Mr. PATMAN. Well, there are a number of things involved. We cannot expect perfection, any more than we can expect perfection in the administration of the law.

Mr. JUDD. We are not asking perfection, but we don't want to make it worse. We don't want to make it so that the remedy is worse than the disease.

Mr. PATMAN. I don't think it would be as bad as the present situation.

Mr. JUDD. Well, I just want to be sure.

Mr. HOFFMAN. You said that to do away with these ups and downs we should exercise more good judgment, didn't you?

Mr. PATMAN. We should have the judgment. We should have the foresight and the vision to look into the future the best we can. Of course, we won't be able to see everything, but we can do our best to see what might come and the possibilities and probabilities.

Mr. HOFFMAN. And in the past that good judgment or poor judgment, whatever it may be, has been exercised by businessmen and industrialists, hasn't it?

Mr. PATMAN. Well, a few of them have; and some of it has been successful, and some has not.

Mr. HOFFMAN. But you will concede they have tried, because their own welfare depends on the results of their judgment.

Mr. PATMAN. Sure.

Mr. HOFFMAN. What you propose to do in this plan is to substitute the judgment of Government officials for that of businessmen, who heretofore have exercised their own judgment?

Mr. PATMAN. No; that would be socialistic. I am opposed to anything like that. I want the businessman to have freedom and let him still continue to exercise his own foresight and vision and form his own good business judgment. Nobody is in favor of anything that would impede his efforts in that direction at all. And I hope this bill isn't intended in that direction. I know it is not, so far as I am concerned.

Mr. HOFFMAN. Heretofore businessmen and industrialists—and when I say "businessman," I mean everyone who creates employment—have used their own judgment, good or bad, and we have had resulting ups and downs. That is your position. Now, what you propose to do, if I understand you correctly, is to substitute the judgment of another group for the judgment of those whom you think, to a certain extent, have failed.

Mr. PATMAN. No; not replacing it.

Mr. HOFFMAN. Acting in conjunction with it?

Mr. PATMAN. You might say supplementing and aiding.

Mr. HOFFMAN. Which is to be the controlling factor when there comes a difference of opinion—the businessman or the Government?

Mr. PATMAN. I suspect you will find that more businesses have gone broke than have succeeded—

Mr. HOFFMAN. That is not answering my question. When we have adopted your plan, and Government supplements the judgment of those people who heretofore exercised their own, then which is to be superior? When there is a difference of opinion?

Mr. PATMAN. This bill will not interfere with anyone running his own business.

Mr. HOFFMAN. Well, you are a lawyer; just take the hypothetical question: Assuming that there is a difference of opinion—

Mr. PATMAN. There won't be any difference of opinion. There won't be any clash. There can't be. They won't be on the same board—

Mr. HOFFMAN. I am sorry that you don't feel free to even give your opinion.

Mr. PATMAN. Because I don't say what you want me to say, that don't mean that I am not expressing facts.

Mr. HOFFMAN. The record will show that you won't answer this question.

Mr. PATMAN. Oh, that isn't a fair statement.

Mr. HOFFMAN. All right, then; tell me. Your proposition is this: assuming that heretofore those who have created and maintained employment have not been able to prevent depressions—

Mr. PATMAN. That is right.

Mr. HOFFMAN. And booms, as you call them. And that something should be done. Am I right so far?

Mr. PATMAN. Yes.

Mr. HOFFMAN. To assist and aid them.

Mr. PATMAN. Yes.

Mr. HOFFMAN. Am I right so far?

Mr. PATMAN. Well—

Mr. HOFFMAN. You will concede something must be done?

Mr. PATMAN. I don't like the words "aid and assist." They are just a little apart—

Mr. HOFFMAN. You can substitute for "aid and assist" any word you want.

Mr. PATMAN. Any one concern in this Nation is a very small part of the Nation, and I don't care how much good common sense is used in directing the affairs of that concern—the tail can't wag the dog, and this is the dog helping the tail a little bit.

Mr. HOFFMAN. I think we have it. This bill is the tail wagging the dog?

Mr. PATMAN. No; it isn't to direct or tell people what to do. It is just the opposite of that. Let the people go ahead and do exactly what they want to do, but if they are trying to keep the economy on an even keel, the Government will through this planning aid and assist them in doing so.

Mr. HOFFMAN. All right, Mr. Judd; thank you.

Mr. JUDD. Yesterday, Mr. Smith, the Director of the Budget was with us, and in his statement he said that the bill was to provide maximum effort to get full employment opportunities. Then he went on:

This does not mean that the bill assures there will never be unemployment. As long as we have progress there will always be individuals looking for jobs at the same time that employers will be looking for workers. * * * It is the responsibility of the individual to seek the job for which he is best suited.

Then in the discussion Mr. Smith went into great detail about the matter, but emphasized that the bill did not insure full employment. Well, if it doesn't insure full employment, don't you think it is erroneous, and perhaps even a mistake, to call it the full-employment bill, because it has given the impression throughout the country that it does insure or guarantee full employment?

Mr. PATMAN. Not to perfection.

Mr. JUDD. Maybe not in your mind, or in my mind, but in the minds of the general public.

Mr. PATMAN. No more than when you have prosperity in the Nation that is prosperity for everybody. There are always a few people that do not have prosperity. Nobody expects perfection.

Mr. JUDD. Don't you read in the papers almost every day the news reports and letters to the editor from people who believe that this bill does guarantee full employment for everybody? And Mr. Smith says it doesn't.

Mr. PATMAN. I will take the gentleman's word for it, but I haven't read those letters.

Mr. JUDD. Well, I have, and I feel it is a mistake, because it apparently guarantees a perfection which cannot be delivered, even if it works as well or better than you, its author, anticipate.

Mr. PATMAN. Where there are 130,000,000 people no sensible, sane person who has thought the question through would insist that everybody would have work.

Mr. JUDD. I agree with you. Nobody who has thought the question through. But, don't you believe it is unfortunate for the sake of the success of the bill, assuming it passes, to have such a general attitude, that it is going to guarantee, as soon as it is passed, full employment?

Mr. PATMAN. There are exceptions, of course.

Mr. JUDD. I hope there are——

Mr. PATMAN. If we based our judgment on the exceptions, we would have an awful country here.

Mr. JUDD. I wouldn't consider it the exception. People have been down here from my district urging the passage of this bill. They consider that the main thing is that this would end unemployment. I tell them, "Don't put all your eggs in this one basket, because you may find some leaks in the basket."

Mr. PATMAN. You could make that same statement if someone proposed a law against murder. If such a bill were passed you would still have murder.

Mr. JUDD. That is right, but I have been concerned——

Mr. PATMAN. But we shouldn't fail to pass the law.

Mr. JUDD. I am not using this as an argument against passing the bill. I am saying there ought to be from you, its sponsor, and Mr. Outland, and his steering committee, careful statements and propaganda, if you wish, to make clear that this is not a guaranty that unemployment will be no more in this country. I feel it is too bad for the success of the bill, assuming it passes, to have such an impression on the part of the general public.

Mr. PATMAN. I am not afraid of that.

Mr. JUDD. You are not?

Mr. PATMAN. Any more than if some person from a foreign country would walk over here to the House gallery and listen to all of us express our individual views. He might come to the conclusion from what he heard that this is an awful country. That isn't true at all. I am not afraid of that. We can't legislate for the exceptions.

Mr. HOFFMAN. You said something about murder, Mr. Patman. The bills which have to do with murder, or the laws, are to punish

murder. I don't know, and I don't believe you know of any bill that was ever entitled "A Bill To Prevent Murder," or know of any bill that will prevent murder, and I think what Mr. Judd is getting at is that the bill should not parade under the guise of the title of full employment, which carries to many people the idea that this thing if it is put in operation, will insure there will be no more unemployment. That is the point, isn't it, Dr. Judd?

Mr. JUDD. The whole point.

Mr. HOFFMAN. And, Mr. Judd, that is what you were stressing.

Mr. JUDD. Right.

Mr. HOFFMAN. Now, Mr. Patman, you have had many wires from the CIO haven't you?

Mr. PATMAN. I don't know whether I have a one.

Mr. HOFFMAN. Well, I have had them.

Mr. PATMAN. I don't recall receiving a single one.

Mr. HOFFMAN. Well, you have answered my question.

Mr. PATMAN. Wait a minute.

Mr. HOFFMAN. You said you didn't recall it, so there you are.

Mr. PATMAN. I don't know whether I have any CIO organizations in my district or not.

Mr. HOFFMAN. I didn't ask you whether you had or had not. I just asked you whether you had had wires from them. You said you hadn't any.

Mr. PATMAN. I think I had a wire from Mr. Murray one time, about 2 months ago, about this bill, and outside of that I don't recall one.

Mr. HOFFMAN. My point is this: The wires which I have had from the CIO stress the idea that if I would support this bill and it becomes law, that our unemployment problems will end. They don't say this will help end them, they say it will end them. That is what Mr. Judd is bringing out.

Mr. PATMAN. I notice from their literature it is rather carefully gotten up. Of course, I don't know anything about the people who write this literature, but I don't think anybody expects us to be 100-percent perfect in this law or any other law. I think that is asking too much. But the goal is employment for all people who want a job.

Mr. JUDD. That is right. And you are willing to put in the record that this bill does not assure the end of unemployment?

Mr. PATMAN. Well, it doesn't guarantee to end unemployment, Mr. Judd; no.

Mr. HOFFMAN. Does it hold out the promise of a job to everyone?

Mr. PATMAN. No; it does not. It holds out the promise that the Government will try to offer work opportunities to those people who are anxious, willing, and able to work; that is all.

Mr. JUDD. And you don't interpret—

Mr. PATMAN. Excuse me. In 1928 we had good prosperity in this country, but everybody was not prosperous. A lot of people weren't prosperous. You can use that as an example. There will always be times, with 138,000,000 people, when some of those people will not be prosperous.

Mr. JUDD. You don't think, then, that this section 2 (e) can be read to mean that the Government guarantees it will provide enough in-

vestment and expenditure so that everybody will have a full job, when it says:

to the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment.

You don't think anybody could rightly read that to mean that it guarantees the end of unemployment?

Mr. PATMAN. That is merely to carry out the goal.

Mr. JUDD. That is the objective?

Mr. PATMAN. We now hope it will.

Mr. JUDD. But you don't think anybody can say, "Well, now you have made a pledge here. You have pledged the end of unemployment; now you must deliver"?

Mr. PATMAN. Doctor, no. I say that no sane person will insist that every person must have a job all the time.

Mr. JUDD. But don't you think there may be a lot of people in the country who will be demanding things that you and I wouldn't think were sensible and achievable?

Mr. PATMAN. There are a lot of people who will always be demanding things.

Mr. JUDD. Mr. Smith says we have to pass this bill because the people are demanding it.

Mr. PATMAN. I think they are. They have seen these things happen, and they don't want them to happen again.

Mr. JUDD. He says, "The people of this country hold the Government responsible, and this bill is simply a response to a demand."

Mr. PATMAN. Doctor, I want to call your attention to the fact that this subsection (e) is like you read it, understand, but you didn't read subsection (f), which should be considered a part of it. Subsection (e) refers to Federal investment and expenditure; subsection (f) says:

Such investment and expenditure by the Federal Government shall be designed to contribute to the national wealth and well-being, and to stimulate increased employment opportunities in private enterprise.

Mr. JUDD. Yes.

Mr. PATMAN. In other words, we just want to create an atmosphere or climate that will cause private enterprise to employ these people.

Mr. JUDD. I am a hundred percent in agreement with that—

Mr. PATMAN. But if we can't do it, and we still have unemployment, you know, as a Member of Congress, you would vote for relief before you would let people starve.

Mr. JUDD. And this is to provide something useful rather than boondoggling?

Mr. PATMAN. This is to provide for doing things that will contribute to the national wealth and well-being. I think it is a good provision, myself.

Mr. JUDD. Well, I think if it is going to be spent, the money should be spent according to (f).

Mr. PATMAN. We can't afford to tear down the structure. We can't judge just by the exceptions. Doctor, you take a church, any church in the country, good as churches are, and you can probably pick out a few members that do not live up to the standards. You wouldn't want to burn down the church because of that.

Mr. JUDD. I am not arguing on the basis of exceptions. And I don't know any church that pretends it can guarantee that all its members will get into heaven.

Mr. PATMAN. No; they don't guarantee it, but they give them the training and the guidance that will aid and assist them in getting there.

Mr. JUDD. That is right. I am for it that far. I just don't want us to make a pledge that we might not be able to fulfill.

Mr. PATMAN. Would you destroy all churches because they can't guarantee to get people into heaven?

Mr. JUDD. Oh, no, indeed; but they don't hold out a free ticket to heaven as an inducement; they don't use that as their label.

Mr. PATMAN. The goal here is full employment.

Mr. JUDD. We have, for example, Mr. Smith's further testimony, where he says that it expresses in legislation the declaration of both parties in the last election and it gives the world assurance we intend to carry out the pledge expressed in the Charter of the United Nations. I don't think anybody, when we signed the Charter of the United Nations, thought we were pledging full employment, and yet he now comes in and says that was a pledge.

Mr. PATMAN. Let us get back to your party. I read the Republican platform last year, and at the end of it I saw a statement like this, that all candidates are pledged to this platform and obligated to run on it, or words to that effect. Do you remember that?

Mr. JUDD. Yes.

Mr. PATMAN. Now, then, Mr. Dewey, in interpreting that platform, came out for this kind of bill, full employment. Was he deceiving the people?

Mr. JUDD. I don't know.

Mr. PATMAN. He believed in full employment. He didn't quibble about the few who might not get work.

Mr. COCHRAN. Will the gentleman yield right there. Did you say Mr. Dewey came out for that?

Mr. PATMAN. He certainly did, in a strong statement.

Mr. COCHRAN. It so happens that I have Governor Dewey's language in a speech that he made a year ago, in which he said:

The Government's first job in the peacetime years will be to see that conditions exist which promote widespread job opportunities in private enterprise. If at any time there are not sufficient jobs in private employment to go around, the Government can and must create job opportunities, because there must be jobs for all in this country of ours.

Does not that go much further than this bill?

Mr. PATMAN. Sure. That is a direct promise of jobs. While we are not promising that, at the same time he didn't intend it—that was his goal. I think all the Republicans ought to be for this measure, because of the promises made to the people last year that you would be for it.

Mr. JUDD. I am a physician, and I never pledge that certain medicines will get the patient well, because sometimes, in spite of the finest calculations and the greatest confidence, things go awry. I think we are misleading our people if we allow them to think this will certainly cure unemployment. I hope it or other measures will, because we are certainly going to be in a jam if it doesn't succeed.

Mr. PATMAN. We are not misleading the people. A few exceptional cases might misunderstand, but they will be the exceptions, not the rule.

Mr. JUDD. Then your mail must be different from mine, because my people—

Mr. PATMAN. Your mail may be from the exceptions.

Mr. JUDD. I am glad, however, to get your testimony in the record, that this bill doesn't guarantee full employment; that full employment is merely our goal; it is what we are working toward. This is the best machinery we can think of to help achieve that end. It is calculated for that purpose. But it is erroneous, and it is the exception, if anybody feels that this is going to insure full employment.

Mr. PATMAN. A specific job for specific persons; no. Pardon my bringing this up again, but if Mr. Dewey had been elected that paragraph right there would have been before this Congress in the form of a message, asking you to provide full employment like this.

Mr. JUDD. Yes; full employment.

Mr. PATMAN. And the Republicans would have to support it, because they would have to carry out the will and wishes of their leaders.

Mr. JUDD. They will support whatever they feel is designed to achieve full employment, but Mr. Dewey's statement does not necessarily refer to H. R. 2202.

Mr. PATMAN. Oh, no; but the principle of full employment. Now, if this is no good, what is your remedy?

Mr. JUDD. We are not discussing my remedy, or Mr. Dewey's. We are discussing your bill that was put in because you are in the majority, and we don't have a chance to discuss our remedy.

Mr. PATMAN. Oh, yes, you do. The minority has great power in the House.

Mr. HOFFMAN. You mean to register a protest.

Mr. PATMAN. More than that. It is more than in a position to protest.

Mr. HOFFMAN. You ignored our advice 10 years ago.

Mr. PATMAN. We followed it for altogether too long.

Mr. HOFFMAN. We got along and had prosperity until you got us in the First World War; then we had to pay for that war.

Mr. PATMAN. We know that you had it for 12 years before 1933, and look at what happened.

Mr. HOFFMAN. You got us into a war.

Mr. PATMAN. After the war we had an economic collapse; everything in the country closed down.

Mr. JUDD. I am not interested in the past, except to learn lessons therefrom. I am interested in full employment, and I am just trying to be sure we understand and the people understand the limitations of this bill, even though it works up to your fullest expectations and hopes, and mine.

Mr. PATMAN. I think it should be a nonpartisan measure. I think both parties came out for it last year, and I think we ought to put through some kind of a full-employment bill.

Mr. JUDD. I have no more questions.

Mr. WHITTINGTON. Mr. Patman, as I understand this bill, introduced by you, H. R. 2202, on February 15, it is identical with S. 380, introduced in the Senate on January 22 of this year, except, as you

pointed out in your initial statement, you include subparagraph (e) under section 8. Except as to that paragraph the two bills are identical?

Mr. PATMAN. I think they are; yes, sir.

Mr. WHITTINGTON. These bills were introduced many months ago.

Mr. PATMAN. Yes, sir.

Mr. WHITTINGTON. And since that time Germany surrendered, and now Japan has surrendered, and the motive is to provide employment, and this bill generally undertakes to solve the unemployment problem, first, by encouraging and promoting private enterprise to give employment, and, secondly, by supplementing any deficit in that regard by Government support or by Government provision for employment.

Mr. PATMAN. First through the States, the cities, and political subdivisions.

Mr. WHITTINGTON. Of course that work is under the jurisdiction of the States.

Mr. PATMAN. That is right.

Mr. WHITTINGTON. But it is to encourage it either by the Federal Government or by the States.

Mr. PATMAN. Yes.

Mr. WHITTINGTON. Second, and with that worthy objective the mechanism to promote the employment by the agency of private enterprise and by the Government, is said to be contained in this bill. Is that a fair statement as to the general outline and purpose of the bill?

Mr. PATMAN. I think it is. First, we want private enterprise and free competitive business to employ people, if they will, to the extent that available jobs should be there for the people who want to work, who are anxious to work. Next, if that is not sufficient, we want to encourage the States and counties and the cities and political subdivisions to offer opportunities in some way, and if we still don't have enough, then the Federal Government should come in and encourage some kind of work that will be to the national well-being—not any wasteful work, but work that will create wealth, or will be to the national well-being and provide these jobs.

Mr. WHITTINGTON. And, secondly, with these objectives, you undertake to provide the mechanism in this legislation; is that true?

Mr. PATMAN. Generally, not in detail.

Mr. WHITTINGTON. I understand, because there is an undertaking. Because if we stop with this objective, we won't get anywhere. Then the question arises, first, isn't it important for the Government to promote legislation, programs, and policies that will prevent unemployment, in the first instance?

Mr. PATMAN. That is one of the objectives of the bill, one of the main objects.

Mr. WHITTINGTON. To prevent unemployment.

Mr. PATMAN. And create full production.

Mr. WHITTINGTON. And the best way I see—I don't know whether you agree or not—to do that is to create and continue full production. Now, the question arises as to whether or not we are providing any real mechanism in this bill for the accomplishment of these objectives. And, frankly, I ask you if concrete mechanism is contained in this bill now that will provide, first, for continuing employment in pri-

vate enterprise. Just name me one concrete provision in this bill that would provide that.

Mr. PATMAN. I think if I were to attempt to enumerate things like that we would have more objections than we have now, Mr. Whittington. You see, that would be legislating in detail. We have to leave something to the administration. We don't want to tie them down in a strait-jacket.

Mr. WHITTINGTON. I am agreeing to that.

Mr. PATMAN. We want to have it elastic.

Mr. WHITTINGTON. I am agreeing with that. But to get back to my question—I want to be helpful; what concrete mechanism is contained in this bill that will provide for the accomplishment of the objectives, first, continuing employment in private enterprise?

Mr. PATMAN. Well, I think it is generally well stated, and I think you covered it fairly well a while ago. For instance, suppose we can see ahead in 1946 unemployment to the extent that it will need our attention after this budget is prepared. Well, there are several ways adjustments can be made. You take through taxes; you can create an atmosphere that will encourage some businesses to employ more people. There are lots of small businesses—

Mr. WHITTINGTON. Without meaning to interrupt you, I think that is one answer.

Mr. PATMAN. I haven't got through.

Mr. WHITTINGTON. All right; give me some more.

Mr. PATMAN. Now, another one is reciprocal trade. It may be necessary to make deals with certain foreign countries to stimulate production in this country that would give employment. That is No. 2. No. 3, we can take the Bretton Woods proposals; that would encourage the International Bank for Reconstruction and Development to give certain countries that have been deficit in this war loans which they will repay with interest, which will enable them to purchase large amounts of supplies and services in this country which will create additional employment. And in addition to that, No. 4, we will take the Export and Import Bank, which can be more specific, which will have a huge amount of funds that in the event the International Bank for Reconstruction and Development doesn't take our advice, we are in position to do it ourselves through the Export-Import Bank to help the country, help ourselves, and they will repay the loan and it will create opportunities for employment here. There are four ways.

Mr. WHITTINGTON. Very well. Pardon me a minute. In giving those four concrete cases it occurs to me that you have given one of the strongest objections to this bill. I could enlarge upon those four concrete cases by saying that, in my judgment, we ought to provide measures, and that means banking, to which you have referred primarily. That, however, is the jurisdiction of the Banking and Currency Committee. That means tax problems and tax policies, to which you refer, that are involved in our tariff policy. Those are concrete matters. Now, then, if you undertake here to involve and to incorporate all these matters in a bill without specifying that we are going to take jurisdiction of the laws that we have passed and fold them up and change them by some other solution, my judgment is that we are making a mistake, and for that reason—I think like you; we ought to plan, but we ought to plan constructively.

We ought to have a mechanism, we ought to have concrete cases, but it is going to take not one policy but many policies, all coordinated and correlated. I think you might add to it a public-works program. I think it would be unwise for us to repeat what happened in 1929, where we found ourselves in the midst of a depression without any adequate program of public works, and we just reached out and took this make-believe program here and there. So that in addition to a guaranty of bank deposits, in addition to the provisions we have made for treaties with other countries, in addition to our improving our taxes, all of which have to be done by separate programs and separate policies, we ought to continue what we have done to provide for the encouraging of the States and the municipalities, not in one panacea but in general legislation, in public works, to adopt a public-works program that will provide for the construction of public works that are Government functions as contradistinguished from works that are local and private functions. My thought is that you have given us in your answer, and in these four concrete cases, the best argument that has occurred to me as to why we should not undertake to pass a bill here and say that we are providing for full employment, when in truth and in fact we can only provide for it by these four concrete proposals that have got to be correlated and coordinated with other programs, and if we undertake in anywise to modify them here, we are led to one inevitable conclusion, and that is that, in addition to these programs, taxes, public works, we provide for lump-sum appropriations to enable the accomplishment of the objectives which have been provided for by all of these separate policies and programs, to wit, as is pointed out in subsections (e) and (f) of section 2, to provide for such volume of Federal investment and expenditure, and that it shall be designed to promote the national wealth and wellbeing. I say that we are going to fall down on it in these various committees of Congress and with these various programs we have adopted—banking, public construction, and so forth—if they are not supplemented and implemented so that we will have real programs worked out without getting to the point where under some panacea bill we will come in and ask the President of the United States to provide for it and give a lump-sum appropriation which I think will promote unemployment rather than encourage employment.

Mr. PATMAN. Will you let me answer that?

Mr. WHITTINGTON. I think you have given me the best answer that I could think of.

Mr. PATMAN. Let us see if I have.

Mr. WHITTINGTON. All right.

Mr. PATMAN. Our plan is to have coordination of effort. We don't have it now. Suppose we go ahead as we have in the past. We have a Congress working on taxes, giving relief here and there. We have the Export-Import Bank granting loans to foreign countries. We have all these different agencies dealing with the same thing in the over-all picture, but no coordination of effort. This coordination brings these things all together. We might say that if we had no planning, the Export-Import Bank, the International Bank for Reconstruction and Development, and all these others might be planning something if they knew what the outlook was for next year, but they might not do what they have in mind. In other words, if a

certain country wants to have a loan from the Export-Import Bank, the directors might be seriously considering this loan, but this national budget comes out, and it looks like we are going to have all the jobs we need. It would be foolish to grant that loan and thereby cause inflationary conditions in our country. Now, while you say I have given you the best arguments against the passage of this bill you would want, I think you have given the proponents of this bill the best argument, because you are willing to go ahead, everyone working along a separate line without any coordination of effort, and thus not planning and working cooperatively and in a coordinated way.

Mr. WHITTINGTON. Let us see about that. Ought Congress, before it authorizes the lending of the taxpayer's money through the Export-Import Bank, recommended by the Committee on Banking and Currency, to find out before we authorize that, if there be a need of it, and isn't that the time to do it? And with respect to the budget, isn't it also true that the Chief Executive submits a budget covering public works, covering the operations of all the agencies of the Government, and we require that under the Budget and Accounting Act, for the purpose of—to use the language of that act—coordinating our programs and our policies?

Mr. PATMAN. That is very true, if your premise were correct. But it is incorrect in that Congress has nothing to do with that. The Export-Import Bank—it has \$5,000,000,000—

Mr. HOFFMAN. Just a minute. Are you correct on that? 'They haven't got it yet.

Mr. PATMAN. It is authorized. They can borrow the money and we have no control over it. They can go down there, as a board of directors, and do anything they want to, and it isn't coordinated with the reciprocal-trade program, it isn't coordinated with the Export-Import Bank, it isn't coordinated with the International Bank for Reconstruction and Development, it isn't coordinated with anything, and each one of these others can do the same thing. The object of this legislation is to have coordination of effort and to do exactly what you said you wanted.

Mr. WHITTINGTON. I wouldn't vote, and I have never voted, for any bill, and I have never heard of the Committee on Banking and Currency recommending any Export-Import Bank bill that would allow them to do anything they wanted to do. The administration recommended Bretton Woods and reconversion and demobilization, because they were part of a coordinated scheme to provide for foreign trade, and to promote trade between the United States and foreign nations, and production, and if I hadn't believed that was a sound, coordinated program and correlated with the other activities of the Government, I couldn't have supported it.

Mr. PATMAN. That is one of the arguments used.

Mr. WHITTINGTON. What would this bill authorize the Congress to do with respect to the Export-Import Bank operations that is not otherwise authorized? Just take that one case?

Mr. PATMAN. The budget would give them information by which they could intelligently act, and in their negotiations with foreign countries or with domestic concerns, they would have that guidance. As it is now, we have no planning body which people who want to do the right thing toward their country can come to to exercise that

judgment and furnish them that information. This will give them the information upon which they can base their judgment to work in their country's interest in an intelligent way.

Mr. WHITTINGTON. In other words, now, we would supplant the functions of the Export-Import Bank administration by giving to this committee on the budget here a directive to ascertain the basic fundamental facts to enable that institution to function as Congress wants it to function? My thought is that it is the duty of the Export-Import Bank to advise the Congress.

Mr. PATMAN. Let me answer that now.

Mr. WHITTINGTON. All right.

Mr. PATMAN. Here is the budget, the President has made his recommendations, and he says—I am just presuming now—I am merely giving this as an illustration. He says, "I have consulted with the people who are handling reciprocal trade and they will do so and so. That will give employment to so many people. I have conferred with the directors of the Export-Import Bank and decision is that they will make certain loans to certain countries that will need certain supplies that will be produced in this country. That will provide so much employment. I have conferred with these other agencies you have mentioned, and each one of them will supply employment for so many people. But after they do that, we will still need to take up the slack," and the President may recommend a public-works program such as you are talking about. But we have something intelligent to go on.

Mr. WHITTINGTON. All right. You have mentioned four concrete cases. I think I have your thought about the Export-Import Bank. What would this budget contemplate with respect to taxes and revenue that would supplant and take over the work now being done by Congress upon the reports of the Ways and Means Committee? What function with respect to taxes, in order to provide for employment, that we have now delegated to that committee would be here?

Mr. PATMAN. The President's advisers could say, "We have conferred with the committees that handle taxation in the House and Senate, and we have agreed on a plan whereby if the tax laws are changed a certain way, it will make it so easy on business that they will likely employ very many people, and the President could ask the Congress to pass that type of legislation making that number of jobs available.

Mr. WHITTINGTON. And that would be considered by the Committee on Ways and Means and reported to the House?

Mr. PATMAN. Certainly, it would. This is not dictatorial. It is not anything that will be mandatory. It is setting up a plan based on the best information that it will be possible to gather together that will enable people who are trying to help their Government intelligently to act.

Mr. WHITTINGTON. And that same thing would apply to the Export-Import Bank? That would be considered by the Committee on Banking and Currency?

Mr. PATMAN. Certainly. We presume they are all patriotic people and will cooperate with their President.

Mr. WHITTINGTON. And the other items you mentioned will be considered by the appropriate committees of Congress?

Mr. PATMAN. Taxation is the only one I know of. Congress has already passed out of its hands the reciprocal trade and Export-Import Bank and the Bank of International Reconversion and Development.

Mr. WHITTINGTON. Now, Mr. Patman, the passage of this bill, the advocacy of it, is for the psychological effect, among other things, as has been testified here, of assuring full employment, and whatever be the details of this bill, or its provisions, it is generally recognized by the man in the street that this bill is to provide for employment. If that effect, and that assurance to the country, is to be given, isn't this a most unwise time to promote any such an impression, because it can't do anything more or less, as this is designed, than provide new legislation or appropriations at a time when we have got more money in the banks than we have ever had, we have got more savings, we have got the largest productive organization, we have got the largest supply of labor we have ever had before in the history of our country, and, finally, we have the greatest need of our civilian population who sacrificed and denied so that today the situation is materially different from what it was at the time these bills were introduced. There is employment now for every person that honestly wants to work, and if we come in here and pass this bill and say they are going to have unemployment, won't there be a tendency for these people to reply upon the largess of the Government, the appropriations of the Government, rather than find their legitimate place in private industry? This legislation will do more harm than good.

Mr. RICH. Will the gentleman yield there? We also have the largest debt.

Mr. PATMAN. We haven't overlooked the debt. I wanted to mention that, the public debt. That is right, we have a large debt. But when do you plan against things that are likely to happen that will be disastrous to our people? After they come or before they happen? We waited before until the worst came to the worst and we had an awful time getting out of it.

Mr. WHITTINGTON. I agree with the gentleman—

Mr. PATMAN. Now, then, since we have that experience of the past to draw upon, why don't we draw upon it to the extent that while we have this prosperity you speak of we can make some provision against what has always happened in the past every 10 or 15 years?

Mr. WHITTINGTON. All right. I think that is a fair question. We have provided for it by improving our taxation. We have that under consideration. And we have provided for it, as you said, by the Bretton Woods Agreements, and we have provided for it by the Export-Import Bank, and we have provided for a constructive program of Federal public works, and we have done everything this bill contemplates except a Nation-wide WPA. That is my judgment.

Mr. PATMAN. This bill does not contemplate that. This bill is trying to avoid that.

Mr. WHITTINGTON. I understand your view is to try to avoid that.

Mr. PATMAN. If all these things were exercised to the limit, public works, and so forth, just pouring money out with no coordination, without knowing what the other people are doing—would you want that?

Mr. WHITTINGTON. No, indeed.

Mr. PATMAN. All right; then we should have some coordination of effort.

Mr. WHITTINGTON. That is right.

Mr. PATMAN. And if every one of them spend the money you are talking about for public works, the Export-Import Bank, the Bank for International Reconversion, and the reciprocal trade, and each one of them work separately and went the limit of their ability, we would have inflation.

Mr. WHITTINGTON. I would say that without——

Mr. PATMAN. That is the reason we need planning for that.

Mr. WHITTINGTON. We need a sound, constructive plan for that, but there is a whole lot of difference between sound, constructive planning for public works, and the so-called planned economy that is wrapped up in this bill, and it is to distinguish between the two that I have propounded these questions, because I don't believe that the Congress ought to pass any Bretton Woods agreement, any Export-Import Bank, any public-works program that doesn't correlate and coordinate with the unified program to prevent unemployment, in the first instance, and provide for it in the second.

Mr. PATMAN. Where is your coordination under existing laws? Each one operate independently of the others.

Mr. WHITTINGTON. That is a fair question——

Mr. PATMAN. There is no coordination.

Mr. WHITTINGTON. I think absolutely that is in error. We have the Budget and Accounting Act, which gives us the recommendation of the Chief Executive to be investigated by committees of Congress with respect to the expenditures of every one of these agencies.

Mr. PATMAN. On everything except employment.

Mr. WHITTINGTON. No; I beg your pardon. We would have no occasion for a public-works program, for a sound public-works program as you have advanced here from time to time, and I think you have done it constructively. We haven't waited to make a make-believe program. We have a sound public-works program under way, and it is coordinated. If we don't have everything embraced in the President's message of the other day, I would like to have you name me something that has not been included by Congress with respect to those agencies you have mentioned.

Mr. PATMAN. I still insist we have to guard against inflation as well as deflation.

Mr. WHITTINGTON. So do I.

Mr. PATMAN. And these agencies, working independently and alone, going the limit of their power and ability, even in public works, we will have a ruinous inflation in this country, and a program of this kind will guard us against that and will enable us to act in a way that we will not have that ruinous inflation.

Mr. WHITTINGTON. I think our system of government, with the Chief Executive, and all these executive agencies, has done everything we could reasonably be expected to do to coordinate these agencies, and if we need any further coordination, I am for it. But to come in here without saying what that coordination is, and undertaking to say that we are going to provide for full employment in some indefinite sort of a way in the future—if we haven't got that coordination in the Budget and Accounting Act, we ought to provide for it affirmatively.

A moment ago you said whatever was done here would have to be handled by the Banking and Currency Committee, on export-import, whatever was done on taxation would have to be handled by the Ways and Means Committee, and whatever was done on public works would have to be handled by the appropriate committees of Congress.

Mr. PATMAN. Yes; we can't do it any other way.

Mr. WHITTINGTON. Exactly, I wouldn't want to do it any other way, because Congress did not abdicate its functions, and if we need a correlation of that, it is the job of the Chief Executive to recommend that.

Mr. PATMAN. He has recommended it.

Mr. WHITTINGTON. In giving the agencies of the Government the power to spend money as they want to?

Mr. PATMAN. He recommended it, and the candidate on the other side recommended it, so both the candidates last year promised the people they would stand for this kind of a bill.

Mr. WHITTINGTON. Here is what bothers me. You are trying to solve the problem of unemployment at a time when there is need for workers, when we have got no depression, when everybody that really wants a job can get it. You wouldn't promote a program for defeatism by saying to them, "If you don't do this work, the Government is going to provide you with a job?"

Mr. PATMAN. I know the gentleman from Mississippi pretty well, and I don't think he honestly believes we should wait until misfortune overtakes us before we provide against it.

Mr. WHITTINGTON. Oh, no; and I have stated and I have voted for all these constructive measures, to provide public works, for the Bretton Woods, and for all of them, but I don't want to wait until we have to make make-believe work. Whatever we do in a Federal way, we should do constructively and promptly.

Mr. RICH. Mr. Patman, in section 5 of the bill, you set up a joint committee, in this bill H. R. 2202, composed of 10 members of the important Senate committees, and 7 members to be appointed by the Senate, and then you have 10 members of the important House committees, and 7 members to be appointed by the House, making a total of 34 members on this committee, composed of men who are at the present time, or at least should be, as busy as any Member of Congress. What is the idea of such a large committee, and don't you believe a smaller committee will do better work than a committee of 34 members?

Mr. PATMAN. That was seriously considered by the Senate committee, and I think you will find that they recommended that we change that.

Mr. RICH. Do you think that a committee of 34 Members of Congress is going to do anything?

Mr. PATMAN. Yes; they can operate all right.

Mr. RICH. As a rule, we find that when we have a large committee, we only have a few of them present at any one time.

Mr. PATMAN. The Ways and Means Committee has 25 members and it functions.

Mr. RICH. But you are establishing 34 members for this committee.

Mr. PATMAN. The Appropriations Committee has 44 and it works pretty well. I think the gentleman is on that committee, isn't he?

Mr. RICH. I was at one time, I left Congress of my own free will and naturally I went off the committee. I tried to save too much money, they wanted to spend and they did it.

Mr. PATMAN. Anyway; I am not talking about the reason the gentleman is not still on the committee. But you said the committee is too large. I don't know, maybe it is too large. I wouldn't object to any reasonable change in the number, so far as I am concerned. But I am just giving you that as an illustration; we have in our own House of Representatives a committee of 44 members and they function pretty well.

Mr. RICH. No; they don't. I say they function very poorly. Let me ask you this: If you have a committee of 34 members, and have a few of them that work at it and the balance of them that vote, do you believe you would get good results from a committee that works in that manner?

Mr. PATMAN. You are talking about something now that legislation cannot control.

Mr. RICH. You have the idea, then, that this committee of 34—what kind of men are they going to appoint to take the active conduct of the committee? Are they going to have politicians; are they going to have lawyers; or will they be professional men?

Mr. PATMAN. I hope they have—

Mr. RICH. Are they going to have Congressmen or men who are going to deal with this in a businesslike way?

Mr. PATMAN. You say politicians and Congressmen. I guess a Congressman is a politician, and I hope they have people who are interested in politics. I would be opposed to it otherwise. I think a person who is against politicians is against democracy. I don't believe you can be against politics and be for democracy, because politics is the people ruling, and you have got to have people who are subservient to the will of the people, and to that extent they are politicians.

Mr. RICH. The object of this bill is to give employment, and when you play politics, you create jobs, certainly.

Mr. PATMAN. I believe everybody should be interested and believe in politics. Of course, there are good politics and bad politics. I wouldn't want bad politics in this.

Mr. RICH. I think, myself, personally, that this committee is top-heavy, and you will never get results from this committee if they are supposed to be a joint committee on the national budget. What are you going to do with your Director of the Budget, Mr. Smith, and his organization that we spend hundreds of thousands of dollars annually to maintain?

Mr. PATMAN. Well, the Budget is an army of the President and that is under the President. Undoubtedly, he will use the Budget to the limit.

Mr. RICH. Then, if you use the Budget, and the Budget officers that we have now, and they continue on in the same way for the next 10 years that they have in the last 10 years, we are broke. We can't have a Budget office that functions like it has in the past 10 years.

Mr. PATMAN. Was the Budget responsible for it?

Mr. RICH. They make recommendations to Congress, and Congress always says, "We are equal to the Budget; we stayed under the

Budget." And they think when they do that they have been able to perform a good duty. But you see where we are. It hasn't been good.

Mr. PATMAN. I am not arguing with the gentleman. I appreciate he is always on the alert against wasteful expenditure of funds. And I commend him for it. But I dare say the gentleman voted for all these appropriations.

Mr. RICH. Oh no; I did no such thing. I wouldn't vote for them.

Mr. PATMAN. You voted for the \$96,000,000,000 to go to war.

Mr. RICH. No, no. For 10 years before the war we were in the red every year, and you never tried to get out.

Mr. PATMAN. We started deficit financing back in 1931 and 1932.

Mr. RICH. I know. We had 2 years of it Republican, and we have had 13 years of it under the New Deal, and it has got us about ruined. You know we have a debt now of \$265,000,000,000. We never dreamed of anything like that. It was \$20,500,000,000 in March 1933.

Mr. PATMAN. With this bill we can pull out; with full employment and full production we can pay that debt easier than we could have paid one-tenth that much in 1932.

Mr. RICH. Are you in favor of paying the national debt?

Mr. PATMAN. I certainly am.

Mr. RICH. I am glad to hear that.

Mr. PATMAN. I hope the gentleman didn't have any question in his mind about that.

Mr. RICH. I certainly did, because I have heard a lot of gentlemen in Congress say we never intend to pay the national debt.

Mr. PATMAN. I never heard that.

Mr. RICH. Well, you come with me, and I will show you a dozen or more who will say that. I would like to get you to cut this committee down. I don't think you will get any results unless you do. I think you ought to do it.

Mr. PATMAN. I am not going to argue with the gentleman about that. That is a matter about which people can differ. You agree to the rest of the bill and I will agree to cut the committee down.

Mr. RICH. You cut the committee down and I will agree that the bill will be a whole lot better. I want to say here that I am in favor of full employment, but I don't believe you are going to get full employment or that the Government is going to do a great deal to aid or assist in full employment and in keeping this country solvent, unless you get sound men who are going to administer it with the idea and purpose of trying to give men jobs who want to work.

Mr. PATMAN. I thoroughly agree with you.

Mr. RICH. And today, Mr. Patman, we have 500,000 men who are idle, and they have created this idleness because they don't want to work unless they get more money. At least those are the statements issued to the newspapers. In New York City they have closed down all the elevators practically, except those in the apartment houses, and that in itself is going to throw out a lot of small businesses in the country, because the American Express Co. refuses to take any more packages. Now, if those men having jobs waiting for them, refuse to work, don't you think we should have some legislation that would compel the people of this country to arbitrate their difficulties rather than have a few radicals—and I say it advisedly—a few rad-

icals who want to close down the industries in this country so that the Government will come in and take them over?

Mr. PATMAN. That question has cropped up in this hearing all the time, and I want to answer it to the best of my knowledge and ability. This bill has nothing to do with strikes. I don't know anything about the merits of any controversy that is pending that is causing strikes, justified or unjustified. I don't know anything about them. But I think the time has come when the public realizes that the public has an interest in these things and there should be some kind of arbitration. We have always been taught that where there is a wrong there is a remedy. Lawyers especially have always been taught that. And there should be a remedy. When a case of dispute between the employers and employees, and the public is involved—and they are involved in practically all these cases—there should be some person or some court, or some board or some authority that has the right to determine the merits of the controversy and pass upon it, and that judgment should be respected and abided by the same as the Supreme Court of the United States.

I think the time has probably come when, if these strikes are not stopped rather soon, there will be such an overwhelming demand for something along that line that it will be established. I regret exceedingly that the time has come, or will come, that that will be necessary, but you see there can be monopoly on either side and there must be a remedy provided. And if there are wrongs without a remedy, this Congress will just have to be called upon and we will have to rise to the occasion and grant the remedy. I am speaking without too much consideration but these are my thoughts at present in the light of the information I have.

Mr. RICH. Don't you believe the occasion is almost here now when we are trying to get the country back—we have the jobs now?

Mr. PATMAN. I think it is approaching, and I think that the recognized and responsible labor leaders recognize and appreciate it as much as you and I.

Mr. RICH. I think the responsible labor leaders do.

Mr. PATMAN. I think they are trying to stop it, but they can't stop it. They are wildcat strikes, they say, and they can't stop it. Well, what can be done? They can't insist that people must stand idly by and do nothing about it. Something must be done.

Mr. HOFFMAN. Will you yield to me for a question?

Mr. RICH. For a question.

Mr. HOFFMAN. You say that something must be done. Couldn't the Government quit extending benefit payments?

Mr. PATMAN. I don't think they extend benefit payments to strikers.

Mr. HOFFMAN. Yes; they do, as I got it from the Secretary of Labor the other day before the committee.

Mr. PATMAN. I know this bill won't help them any.

Mr. HOFFMAN. Wait a minute—

Mr. PATMAN. This bill has nothing for people who are out of work because they won't work. This is only for people who are out of work, who want a job, and are willing and anxious to work.

Mr. HOFFMAN. Listen a minute; if you will, please. There isn't any question at all in anybody's mind who knows about the facts. Take

the Kelcey Wheel Co. strike; the men who are on strike there don't get benefit payments under the Michigan law, but that strike throws out of work 40,000 employees over at the Ford plant, and they do get benefit payments because they are not on strike and are unemployed. They are, what you might call, locked out.

Mr. PATMAN. Well, they are innocent victims.

Mr. HOFFMAN. Wait a minute. Those employees don't belong to the same local, but they all belong to the same national organization. As long as we continue to pay benefits to members of an organization which causes a strike or doesn't prevent a strike, you aer going to have strikes.

Mr. COCHRAN. Will the gentleman yield there?

Mr. RICH. I don't yield any further. I am going to continue.

Mr. COCHRAN. Right on that point: Haven't the officers of that international organization declared that an unauthorized strike and demanded that the men go back to work?

Mr. HOFFMAN. You're right, they have.

Mr. COCHRAN. Then how are they responsible?

Mr. HOFFMAN. If they can't control their own members, they are responsible in this way, because they insist upon maintaining their collective bargaining rights with the employer, but they don't hold their employees in line on the bargain they get.

Mr. RICH. Mr. Patman, does the phrase "raise the scale of living of the American people" mean to increase the national income, or the annual volume of consumption?

Mr. PATMAN. I think it could mean all three, very well, because you take, for instance, there are so many homes in this country that do not have certain conveniences and facilities that we all agree they should have, and if we supplied them that might—that market alone might well do all of those three things.

The CHAIRMAN. Mr. Rich, just a moment. This morning we had three witnesses scheduled for 10 o'clock. They did not appear. I understand that one of the witnesses is now here, and it now seems that we will not be able to get to the witnesses. Without objection, any witnesses who were to appear may submit a written statement for the record. We have a full schedule ahead, and it will be impossible to hear them tomorrow.

Mr. RICH. Mr. Patman, based on deficit spending, would the application of this measure aid or prevent inflation?

Mr. PATMAN. The object is to prevent inflation. I hate inflation just as much as I do deflation, and I wouldn't want to be a party to anything that would cause inflation. It is not contemplated that deficit spending will be needed in this. The intention in this is to prevent deficit financing.

Mr. RICH. With the proposal that you made on the floor of the House a good many times in reference to issuing currency, would that in any way affect full employment?

Mr. PATMAN. There is no issuance of currency involved here.

Mr. RICH. I recall that you have advocated that the Federal Government issue currency, all that is necessary, for paying off the national debt.

Mr. PATMAN. You have heard that? Well, you didn't hear the truth. It is not true.

Mr. RICH. It isn't? Well, I am glad to be straightened out on that, because I was under the impression that you were advocating the issuance of currency.

Mr. PATMAN. No. Currency only comes out as you need it. That is automatic; that expands and contracts with the demands of the people, and I am certainly not going to try to put money into the pockets of the people who do not need it. We have \$200 per capita now in the pockets of the people and the tills of the people. That is too much. That is four times as much as we had during the inflationary period after the other war.

Mr. RICH. If that is too much why has that been issued?

Mr. PATMAN. Well, because the people demanded it. You take your bank account; you can leave it where it is, or you can demand currency and get it, and a lot of the people have elected to take the currency. That was one of the objects of the passage of the postal savings bill. So many people in this country, foreigners, especially, who were not willing to trust the banks, wanted some institution in connection with the Government, in which the people could have confidence, where they could put their money, so they had enacted the postal savings law, and now they have \$2,400,000,000 in savings banks run through the post office system.

Mr. RICH. Mr. Patman, do you believe that the broad legislative powers granted in peacetime to Government officials is a wise thing?

Mr. PATMAN. Well, I think the laws Congress passed grant broad powers to executives. I think Congress was very wise during the war to put a cut-off provision in practically every major law we passed. If you will think back, practically every major law we passed, involved in this war, had a provision like this: "Upon the passage of a resolution by both Houses, by a majority vote, this law shall be ended." Those are not the words, but that is the effect of it. Or, "6 months after the war, this law shall be terminated." Or, "6 months after the declaration of peace, this law shall terminate." We have several phrases that we have used, but the effect of each was to automatically cut off the law.

Mr. RICH. There is nothing in this law that would terminate this legislation, and if we found that it was bad legislation, and that it might create unrest among the people in private enterprise, fearing that the Government would go into various lines of industry in competition with them, it would be bad legislation, and it should be terminated. Now, if you will look at the statement may by Lindsay Warren, as to the number of duplications we have now in Government operations, certainly we don't want anything more in government. We want less government rather than more government, and the private individual then will be able to go ahead, he will have some confidence in the fact that he can do things and not be molested by the Government. But if he were to go out today, with the great number of duplications we have in government, a man doesn't know whether he is secure or not, and he is afraid to enter into private business because he is afraid the Government might put him out of business. It seems to me that the thought and idea behind the bill is fine; I agree with it. I agree with that idea, that we ought to try to get a job for every man that wants to work, and he ought to be assured a job if he wants to work. But we have got a lot of things to consider in the Federal Government at the present time that causes

me to wonder whether it will do what we think it is going to do if it is enacted into law.

Mr. COCHRAN. Assuming, Mr. Rich, that private business does not take the leadership in providing for economic security, don't you think that this bill would, to some extent, provide a plan?

Mr. RICH. Well, I think it possible.

Mr. COCHRAN. Whereby others would step in?

Mr. RICH. I think this, Mr. Cochran: With the laws that are on the books today, there is nobody who has a dollar left who wants to invest it in private enterprise, because there is no future for him in business, and until and unless you change the laws we have on the books, you are going to find that private enterprise cannot go ahead, and therefore you are not going to have the employment in private enterprise, and you are only going to have the Government come in and take over all business, and that is what the radicals in this country are working for, and that is what I am afraid of. So I would advise you to change a lot of the laws and do it quickly, or you are going to ruin private enterprise in the United States of America.

Mr. COCHRAN. All right. The gentleman will recall, because he was here at the time, and so was I, when we provided for social security. Do you know of any sound businessman in this country that wants to do away with that program?

Mr. RICH. I am talking about the things that are a detriment to private enterprise, that prohibit him from going out and expanding and doing business and prevent him from even getting his same dollar back that he puts into the business.

Mr. COCHRAN. What we are trying to do here, as I understand it, is to provide for economic security, is that right?

Mr. PATMAN. Certainly. It is to help private enterprise. If you are for private enterprise, you ought to be for this bill.

Mr. RICH. I am afraid that this bill is going to ruin private enterprise, unless you do away with a lot of the laws that are now on the books.

Mr. BENDER. Will the gentleman tell me how much private business the Government has taken over and is now operating?

Mr. PATMAN. In war munitions, and things like that, it would be a tremendous percentage. But outside of that it would be very small. I don't know of any intent on the part of those in authority to take over private business by the Government. I don't know of anybody who has that intent.

Mr. LATHAM. I understood you to say in answer to Mr. Rich's question that the passage of this bill would eliminate the existing debt, and would help eliminate deficit spending. Now, if we were to have 10,000,000 unemployed, and they were to receive \$2,000 a year, that would be \$20,000,000,000 that we would have to add to the debt.

Mr. PATMAN. This bill doesn't contemplate that. Let us take, for instance—we will compare 2 years: Take 1932, when the debt was at the lowest it has been, and at the same time the national income was at the lowest it has ever been in history. All right; now take 1944: The national income was probably the largest and the national debt was the largest of all time. The people in 1944, with their large national debt to pay, because of their large national income could more easily pay their part of the national debt than the people could in 1932. In other words, the future security of this country depends

upon a high national income. We can't pay our national debt any other way. You can't reduce this country to an income of \$40,000,000,000 a year, as it was in 1932, and ever hope to be able to pay this national debt, so you have got to have a high national income in order to pay this national debt, and when you have a high national income there is no reason why you shouldn't have reasonable prosperity.

Mr. LATHAM. I think I see your point. But by this program you would add a solid \$20,000,000,000 to the debt for that year.

Mr. PATMAN. There is nothing in here that says we will pay \$2,000 a year, or \$1,000, to any person.

Mr. LATHAM. You stated you would pay a reasonable wage.

Mr. PATMAN. No; we are trying to avoid that. Certainly, we are not going to pay \$2,000 a year on relief.

Mr. LATHAM. Does this contemplate that the people will go on relief?

Mr. PATMAN. No; it doesn't.

Mr. LATHAM. This plans for real jobs?

Mr. PATMAN. Yes.

Mr. LATHAM. Well, you couldn't pay them much less than \$2,000 a year for a real working job, and that would add \$20,000,000,000 to the debt. Where will you get that \$20,000,000,000, if not by increasing taxes?

Mr. PATMAN. I think that is just a little far-fetched, if you will pardon me. The bill makes no provision for paying anybody \$2,000 a year, or any sum.

Mr. LATHAM. I understand that.

Mr. PATMAN. I know this is just a promise. It provides for full employment, if we can get it. In other words, full employment. No one expects every person to get a job, just like they wouldn't any more expect, when you run for office, like all the gentlemen around this table, you promise the people certain things and you expect to carry out those promises, but you don't always do everything you promise the people you will do. And to that extent you fall down. They don't throw you out because you do, because they know you have made an honest and sincere effort. The same way with this; there will be an honest effort on the part of the Government to give people full employment, but in the event the budget, at January 3, next year, discloses that, for instance, there are going to be 7, 8, or 10 million people unemployed, that should put us on the alert, and we would say, "What are we going to do about this?" The President should recommend in that same message some way of taking care of it, through taxes, reciprocal trade, Export and Import Bank, the International Bank for Reconversion and Development, public works, including housing and all those things. In other words, we would plan for 1946, and before we would ever get down to any proposition of paying the worker to engage in work, we would first have to fail in our efforts to create a climate that would cause people to employ those people.

Next, we would have failed in our efforts to get the States and counties and cities and political subdivisions to take up that task. We will have failed in that. And after we have failed in all those things, and we still have unemployment, and believing, as we both believe, that a person who is anxious to work and is able to work, should have a job to provide for himself and his family, then we would have to make some provision for him, some way in which we

could do that, through the development of rivers and harbors, and through public roads, and through the construction of public buildings, including post offices, and many other things like that. So you would have to go a long way before you would ever get down to the point of paying a person so much to do work for the Government.

Mr. LATHAM. But if you finally wound up with 5 or 10 million you had to take care of, that couldn't be hired by private enterprise—

Mr. PATMAN. Of course, we are not going to let people starve; you know that as well as anybody else. In times that are good, we are trying to plan for times that will be bad.

Mr. LATHAM. If it finally got to the point where we have 5,000,000 or 10,000,000—let us say 10,000,000, because it is easier to figure—that you have to take care of, you have to create jobs for, you will have to spend some public money in order to create those jobs. Where is the money coming from except from taxes to do that?

Mr. PATMAN. Well, I might say, my dear sir, that if this bill is put into effect and properly administered, we won't have any 10,000,000 unemployed.

Mr. LATHAM. I hope not.

Mr. PATMAN. And we won't have 5,000,000, or 3,000,000.

Mr. BENDER. Won't have how many?

Mr. PATMAN. We won't have 5,000,000 or 4,000,000 or even 3,000,000. We will always have some.

Mr. JUDD. We won't have 3,000,000, and we won't have to borrow any money for deficit spending, deficit financing to keep it down to 3,000,000 or less? You are confident we can have fewer than 3,000,000 unemployed without the salaries or income of some of them being furnished out of Government borrowed money?

Mr. PATMAN. Certainly. You see, if we keep the national income up, we can pay off our national debt and give the people work.

Mr. GOSSETT. Mr. Chairman, I have quite a few questions to ask of Mr. Patman. I don't think I could develop them within the time that is left, and since it is important that most of us be on the floor, I would suggest that we adjourn until tomorrow morning.

The CHAIRMAN. With the understanding that Mr. Patman will be available at any time in the future for further questioning by the members of the committee, the committee will adjourn until 10 o'clock tomorrow.

(Whereupon at 11:50, a. m. the committee adjourned to 10 a. m., Thursday, September 27, 1945.)

(The following was submitted for the record:)

TESTIMONY OF WILLFORD I. KING, CHAIRMAN OF THE COMMITTEE FOR CONSTITUTIONAL GOVERNMENT, CONCERNING THE FULL EMPLOYMENT BILL

There is widespread agreement that the objective sought by the authors of the full employment bill are extremely laudable. Opposition to the bill has arisen mainly because:

1. The authors have not stated their objectives precisely.
2. The methods as originally proposed lend themselves to various forms of abuses which might produce disastrous results.

I shall now elaborate points.

In reality, what labor wants is not "full employment." "Full" would certainly be at least 60 hours per week for all able-bodied persons. What it desires is that minimum of toil which will result in production sufficient to enable the typical worker to earn an adequate real income. Furthermore, labor wants this adequate income to be continuous rather than intermittent. The bill should state this objective clearly.

The bill originally stated that any American able to work and seeking work has a right to useful, remunerative, regular, and full-time employment. But employment at what kind of a job?

It is often said that every mother of a baby boy expects her son to be President. Obviously, however, it would not be feasible to grant him the privilege of actually being President. It is equally impossible to guarantee to every worker the right to employment at the kind of work which he seeks. Preceding witnesses have shown that the mere attempt to implement any such supposed "right" by giving to each worker the kind of employment that he desires would require the complete regimentation of our economy. To try to enforce such a "right" under a regime of freedom is clearly futile.

And, as yet, we have not touched upon the consideration which is most vital of all—namely, the amount of pay which the employee is to receive for this work. That is the point upon which the whole issue of employment or unemployment hinges. Strangely enough, in most current discussions of the problem, this vital factor is commonly ignored.

Workers vary tremendously in skill. The services of some may be worth \$1,000 per day; the services of others may not be worth 10 cents per day. In a free market, the least competent worker gets only the 10 cents, which measures the value of his production; while the most competent worker gets \$1,000, which likewise measures the value of his production. Both may be engaged in useful, regular, and full-time employment, but the remuneration of one man is 10,000 times that of the other man, and justly so. What many opponents of the Murray full employment bill assert is that this provision of the bill will be interpreted to mean that all would-be workers shall be guaranteed employment at rates deemed by some Government official to be "remunerative"—for example, \$1 per hour. If this policy were adopted, it is clear that the man whose services were worth only 2 cents per hour would not have the faintest opportunity of obtaining work with a private employer. The only way of giving him the \$1 minimum would be for the Government to employ him. Since the Government is merely a representative of all the citizens, this would mean that the other citizens of the country would be paying him each hour, 98 cents more than his services were worth. Furthermore, it is clear that, under this system, all potential workers whose services were not worth \$1 per hour to private employers would remain permanently on Government pay rolls. Since the administrator in charge would be under constant pressure to raise the minimum wage rate, the probabilities are that a constantly increasing proportion of the able-bodied would be transferred to the public pay roll. But the proportion of the Nation's working force employed by the public measures the extent to which socialism has displaced free enterprise. Therefore, if the term "remunerative" is interpreted to mean some definite figure, the result might well be to substitute in our economic system, more or less inadvertently, statism for private enterprise.

The authors of the bill assert that this aim is exactly the opposite of what they have in mind. Such being the case, they could disarm the opposition by making the statement in the preamble of the bill read: "It is the policy of the United States to assure to all Americans who have finished their schooling and who do not have full-time housekeeping responsibilities opportunities to secure employment at wage rates corresponding to their respective abilities as producers." The statement in this form would sacrifice nothing which they intend to accomplish, and would doubtless facilitate the passage of the measure.

In its original form, the bill left the door wide open to use the money-creating powers of the Federal Government to employ people to construct public works. Fortunately, this defect has been largely eliminated by the Radcliffe-Taft amendment which provides that measures for raising the necessary revenue must accompany any money spending involved in carrying out the provisions of the act. Retention of this amendment is imperative if the Nation is to be safeguarded against the evils of inflation—evils even more far reaching than those connected with unemployment.

Opponents of the bill have shown very effectively that the bill's instructions to the President to forecast the prospective volume of expenditures, employment, and the like are imposing upon him a task impossible of satisfactory fulfillment. No methods now known would yield forecasts which would be at all dependable. However, the type of forecasting called for in the bill is aimed at getting data which are either nonexistent or unrelated to the problem. The nature of the proposed inquiry is based upon the completely fallacious premise that our economy cannot be kept operating at full capacity unless, from time to time, the Government supplements private spending with public spending.

In reality, forecasting is not at all a necessary prerequisite to employment stabilization. Current statistics furnish all the data needed for the purpose.

Therefore, all instructions for making forecasts should be eliminated from the bill.

Most of the witnesses opposing the bill have been so alarmed by its potential dangers (and this alarm has been fully justified) that they have been led to take the completely defeatist position that it is not a function of Government to take any positive measures to prevent unemployment. Many of these opponents contend that the entrance of government into this field is a wedge opening the way for the totalitarian state. At the same time, however, these same people point out that private employers cannot legitimately be held responsible for furnishing jobs to enough people to assure full employment. They rightly point out that the employer can hire workers only when he can make sales, and that the volume of his sales depends only incidentally on what he himself does, and is determined primarily by the decisions of customers over whom he has no control whatever.

Personally I agree with the authors of the bill when they point out that, if private employers are in no position to take responsibility for maintaining full employment, and if the Government does nothing in this direction, the probabilities are, on the basis of past experience, that we shall sooner or later revert to a state of mass unemployment. They also are undoubtedly correct when they assert that the American people were thoroughly disgusted with the unemployment situation in the 1930's and that there is grave danger that, if such a situation again recurs, they will choose the security which they believe they can obtain under socialism in preference to the freedom to be unemployed which they would have under free enterprise. One is not justified in tossing aside lightly this line of argument.

It appears, therefore, that, if it is feasible for government to take any action which will prevent mass unemployment, such action is imperative. The proponents of the Murray full employment bill believe that they have outlined a workable program for stabilizing employment.

It certainly is difficult to quarrel with the following instructions to the President: "The President shall also include in such budget such recommendations for legislation relating to such program as he may deem necessary or desirable. Such program may include, but need not be limited to, current and projected Federal policies and activities with reference to banking and currency, monopoly, and competition, wages and working conditions, foreign trade and investment, agriculture, taxation, social security, the development of natural resources, and such other matters as may directly or indirectly affect the level of non-Federal investment and expenditure." This authorization is certainly broad enough to enable the Federal Government, if possible, to devise such measures as may be necessary to prevent mass unemployment.

The opponents of the bill for the most part take the position that, since no one knows how to prevent unemployment, any action taken by the Federal Government is likely to make more unemployment, rather than less unemployment. They emphasize the fact that, between 1931 and 1939, the Federal Government used numerous devices in an endeavor to prevent unemployment and promote free enterprise, but that none of these devices were effective. As a matter of fact, the unemployment during this period was far greater in volume than it had been in previous depressions when the Federal Government had made no attempt to intervene. They conclude, therefore, that the probable effect of Government intervention is to intensify rather than to ameliorate depression.

The facts certainly do seem to justify the conclusion that merely having the Government do something is not a meritorious procedure. If the Government is to improve conditions it is not sufficient for it merely to act; its action must be based upon a logical and scientific course of procedure. Such action cannot be undertaken unless the nature of the problem at hand is clearly understood. The methods of combating unemployment which the Federal Government used during the 1930's, while failing to eliminate unemployment, brought about other results which most businessmen and economists consider decidedly undesirable. The Government debt was steadily increased. The currency was inflated. High tax rates on persons having high incomes and on corporations discouraged capital accumulation and helped to prevent improvement in the incomes of both wage workers and other classes of the population. The inflation lessened the real worth of bank deposits, bonds, mortgages, life insurance policies, and fixed incomes of all kinds. Thrifty classes of Americans, therefore, are extremely anxious to see that destructive errors like those made in the 1930's are not repeated in the postwar period. They therefore feel very strongly the necessity of keeping out of the statutes any provision similar to the following, which was found in the original Murray full employment bill:

"To the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment."

It is easy to see that the Government cannot increase the volume of employment either by taxing the public or by selling savings bonds to private citizens. This is true because every dollar taken from the taxpayers or from individual bond buyers diminishes the new spending power of individuals and corporations by exactly the same amount that it increases the spending power of the Government. Therefore, unless the Government prints money or borrows from the banks, the general tendency is for public employment to throw out of work in private enterprise as many people as are hired to work on Government projects. This is true unless the pay on the Government projects is made lower than the pay on private projects—a situation which is not likely to occur.

Many of the advocates of the Murray full-employment bill make no bones of the fact that they expect the Government to hire any workers who lose their jobs in private industry. They usually assume that the Government will employ such persons on public works. This assumption is apparently fully justified by the following provision in the bill:

"Any of such programs calling for the construction of public works by the Federal Government shall provide for the performance of the necessary construction work by private concerns under contracts awarded in accordance with applicable laws, except where the performance of such work by some other method is necessary by reason of special circumstances or is authorized by other provisions of law." This provision seems clearly to indicate the reestablishment of a PWA.

During the last depression, it became chronic for some 10 millions of persons to be unemployed. If the Government acts as unintelligently in the future as in the last decade, the same situation may well recur again. Probably few of the advocates of the public works method of relieving unemployment have realized how upsetting it would be to take several millions of clothing makers, textile operatives, stenographers, and other people of this type, and send them out to build highways, reforest mountains, or construct irrigation works. Neither have they counted what such a program would cost if carried out efficiently by the PWA method. The present unionized construction workers' wages average \$1.36 per hour. At 40 hours per week for 52 weeks, this would come to \$2,829 per year per worker. The wage bill for 10,000,000 workers on public construction would, therefore, presumably amount to around \$23,290,000,000 per year. The United States Census shows that, for every dollar paid out in construction projects for wages, an additional \$1.42 goes for materials and equipment. To do the work efficiently, the Government would, therefore, need some \$40,000,000,000 worth of such articles.

To carry out the avowed purpose of the Murray bill, and provide full-time, remunerative employment for all not employed by private industry might, therefore, require some \$68,000,000,000 of expenditures per annum—nearly all to be met by inflation. This would be pumping into circulation each year something like \$2,000 of money or money substitutes for each family in the Nation. One does not need to be a monetary expert to realize that this process would soon make the American dollar as valueless as was the German mark in the middle twenties. War bonds, notes, mortgages, savings-deposits certificates, and life insurance policies could be used for nothing better than wallpaper or souvenirs.

Inflation would thus wipe out the accumulations of the thrifty. Furthermore, it would obviously destroy all incentive for private saving in the future. Without private saving, there could be no private capital to finance new enterprises or industrial expansion. Under such circumstances, progress could not occur unless the Government stepped in. Soon, therefore, private enterprise would give way to statism. Hence, it is easy to see why those who favor the American system of free enterprise are strongly opposed to the last-mentioned provision of the Murray full-employment bill. If the advocates of that bill wish to reassure the thrifty citizens and secure their support, they ought to be sure that, when the bill goes to the President for his signature, it has in it a section forbidding any Government official, in carrying out the provisions of the law, to do any of the following things:

1. Increase the net Government debt.
2. Make the currency supply increase more rapidly than the physical volume of business in the Nation.
3. Lessen the total volume of saving and capital accumulation in the Nation.

Many of the advocates of the Murray full-employment bill will assert that the amendment just proposed would nullify the whole intent of the measure, and make it completely unworkable. As a matter of fact, however, this contention is incorrect. Other measures are available which, if applied by the Federal Government, would tend to eliminate any tendency toward mass unemployment in the United States. However, neither the President nor his advisers can be expected to do anything effective in the way of stabilizing employment unless and until they thoroughly understand what the forces are which give rise to mass unemployment.

The nature of these forces may be best illustrated by using as an example, employment in the manufacturing industry. Figures are now available which show conclusively that the number of hours of employment given by all the factories in the United States depends almost entirely upon the size of what we may refer to as the "key ratio." This is the ratio of total net new spending power to average hourly earnings of factory workers.

The net new spending power in the Nation is made up of two components:

1. The realized national income.
2. Changes during the period in the volume of circulating medium.

The size of this net new spending power is shown, for each year from 1919 to 1942 inclusive, in table I.

TABLE I.—*Constituents of net new spending power or, in other words, of annual net increments in total demand*

[Billions of dollars]

Year	Demand ¹ deposits, Dec. 31				Money in circulation Dec. 31 ⁵	Total circulating medium		Realized national book income ⁶	New spending power ⁷
	Other than Federal		Federal ⁴	Total		Dec. 31	Change during year		
	National banks ²	Other banks ³							
1918	8.99	\$ 11.15	0.31	20.45	5.24	25.69			
1919	10.29	\$ 14.47	.45	25.21	5.38	30.59	+4.90	62.94	67.84
1920	9.50	\$ 12.45	.30	22.25	5.61	27.86	-2.73	68.43	65.70
1921	8.57	\$ 10.80	.26	19.63	4.69	24.32	-3.56	56.69	53.13
1922	9.53	\$ 12.04	.18	21.75	4.82	26.57	+2.25	57.17	59.42
1923	9.55	\$ 12.96	.19	22.70	5.04	27.74	+1.17	65.66	66.83
1924	10.33	\$ 14.00	.15	24.48	5.05	29.53	+1.79	67.00	68.79
1925	11.11	\$ 14.19	.17	25.47	5.10	30.57	+1.04	70.05	71.09
1926	10.73	\$ 12.67	.19	23.59	5.10	28.69	-1.88	73.52	71.64
1927	11.23	\$ 12.95	.21	24.39	5.00	29.39	+1.70	73.97	74.67
1928	11.78	\$ 13.40	.25	25.43	4.97	30.40	+1.01	75.90	76.91
1929	11.09	\$ 13.30	.25	24.64	4.86	29.50	-0.90	79.50	78.60
1930	10.64	\$ 12.39	.33	23.36	4.89	28.25	-1.25	72.40	71.15
1931	9.07	\$ 9.84	.44	19.35	5.61	24.96	-3.29	60.20	56.91
1932	8.28	\$ 8.39	.64	17.31	5.41	22.72	-2.24	46.71	42.47
1933	8.34	\$ 7.45	1.30	17.09	5.52	22.61	-1.11	44.71	44.60
1934	10.39	\$ 9.40	1.28	21.07	5.58	26.65	+4.04	51.56	55.60
1935	12.58	\$ 11.40	.99	24.97	5.90	30.87	+4.22	10 56.49	60.71
1936	14.52	\$ 13.38	.95	28.85	6.54	35.39	+4.62	10 65.28	69.80
1937	13.83	\$ 12.36	.83	27.02	6.55	33.57	-1.82	10 69.03	67.21
1938	15.08	\$ 13.00	.87	28.95	6.86	35.81	+2.24	10 62.76	65.00
1939	17.00	\$ 14.50	.83	32.33	7.60	39.93	+4.12	10 68.50	72.62
1940	20.27	\$ 17.28	.77	38.32	8.73	47.05	+7.12	10 75.00	82.12
1941	23.04	\$ 18.86	\$ 1.89	43.79	11.16	54.95	+7.90	10 90.00	97.90
1942	\$ 29.16	\$ 22.90	\$ 8.44	60.50	15.41	75.91	+20.96	10 115.00	135.96

¹ Includes demand deposits of individuals, partnerships, corporations, States, and local governments.

² For data, see the Statistical Abstracts of the United States for 1929, p. 269; 1938, pp. 249-251; 1940, p. 261; and 1942, p. 296. Alaska, Hawaii, and the Philippines are excluded.

³ Data estimated or taken from the various annual reports of the United States Comptroller of the Currency. All unspecified deposits have been taken to be demand deposits. In the first decade here covered, this item was large enough to be of importance. In later years, it is negligible in size.

⁴ For most years, figures are available for June 30 only. The estimates here entered have been obtained by averaging the mid-year figures for the various pairs of years.

⁵ For data, see the various issues of the Statistical Bulletin issued by the Standard Statistics Co. and various issues of the United States Survey of Current Business.

⁶ Data up to 1934 from page 7 of the report of the National Industrial Conference Board entitled "National Income in the United States 1799-1938."

⁷ Equals the sum of the two preceding items.

⁸ Estimated by calculating the ratio of demand deposits in all other banks on June 30 to the same item for national banks on June 30, interpolating for the Dec. 31 ratio, and then applying the interpolated ratio to the Dec. 31 deposits of national banks.

⁹ Data taken from the various annual reports of the United States Comptroller of the Currency.

¹⁰ Revised or preliminary figures secured by telephone from the National Industrial Conference Board.

In recent years, many writers on economics have told the public that people have been hoarding large fractions of their respective incomes. Figures furnished by the United States Department of Commerce prove, however, that this notion that there has been hoarding is purely an illusion, conjured up by the great expansion in demand deposit volume brought about by borrowing from the banks by the United States Government. In reality, those who have had spending power have spent it rather promptly; so that, in any particular year, spending power and spending have really been almost synonymous. The facts of the case are set forth in table II.

TABLE II.—*Total spending by individuals compared for the prewar years with the total after-tax income of individuals*

Year	Billions of dollars spent for—			After-tax realized book income of all individuals (billions) ³	Ratio of spending to income
	Consumption goods ¹	4 important recorded items of saving and investment ²	Total		
1929.....	\$78.43	\$0 95	\$79.38	\$80.0	0.99
1930.....	71.08	1.01	72.09	71.2	1.01
1931.....	61.42	—1.85	59.57	61.3	.97
1932.....	49.67	—4.04	45.63	46.6	.98
1933.....	46.55	—1.37	45.18	45.6	.99
1934.....	51.99	1.34	53.33	52.3	1.02
1935.....	56.45	2.22	58.67	57.8	1.01
1936.....	62.27	2.78	65.05	67.4	.97
1937.....	66.22	2.41	68.63	69.2	.99
1938.....	63.30	2.08	65.38	63.3	1.03
1939.....	66.47	2.87	69.34	68.3	1.01
1940.....	70.81	3.34	74.15	73.7	1.01

¹ United States Survey of Current Business, June 1944, p. 13.

² Includes net increases in claims against insurance companies, savings bank deposits, building and loan assets, and holdings of United States savings bonds. The net increases in claims of policy holders against insurance companies have been calculated by subtracting "unpaid premiums" and "premium notes and loans" from the sum of "reserves" plus "unpaid dividends." Savings bank deposits data have been obtained by averaging the figures for the various pairs of fiscal years. The figures on United States savings bonds represent excesses of issues over redemptions. The data have been extracted from various issues of the Statistical Abstract of the United States.

³ Net taxes paid by individuals have been subtracted from the total income receipts of individuals, as reported in the Statistical Abstract of the United States for 1942, p. 358. The tax payments subtracted are those estimated by Richard M. Bissell, of the U. S. Department of Commerce, and published in his article in Fortune entitled "The Anatomy of Public Spending."

Data furnished by the United States Bureau of the Census, when analyzed statistically, show that the people of the United States have tended to pay out each year since 1919, roughly \$20,000,000,000 for nonvariable expenses. Approximately half of their remaining new spending power has gone to pay for the services rendered by the manufacturing industry. We find, therefore, that if, in any year, we subtract from the net new spending power \$20,000,000,000, and divide the remainder by 2, we come surprisingly close to obtaining the figures furnished by the Bureau of the Census under the title "Value Added by Manufacture." The striking similarity between the two quantities is shown by comparing columns C and D in table III.

Anyone who stops to think about the matter knows that employers cannot afford to hire workers merely for the sake of giving the latter employment. The manufacturer hires help only when he has orders on hand or in sight. These orders depend upon the net new spending power of the public. When this spending power declines, orders fall off and he does not need so many workers. On the other hand, when spending power increases, orders for goods increase, and he needs more employees.

One of the remarkable facts revealed by study of the data furnished by the United States Census of Manufactures is that, year after year, whether times are good or times are bad, whether the Republicans or the Democrats are in power, whether employees are organized or unorganized, labor tends to get an almost constant percentage both of the gross value of output of all our factories, and

TABLE III.—Dependence of the total value added by manufacture upon the net total of new spending power accruing during the year in the United States

Census year	A	B	C	D	E
	Net new spending power (billions)		Value added by manufacture (billions)		Error of estimate (percent) $100 \frac{C-D}{D}$
	Actual ¹	Minus 20 billions ²	Estimated $\frac{B}{2}$	Actual ³	
1919.....	\$67.84	\$47.84	\$23.92	\$23.74	+0.8
1921.....	53.13	33.13	16.56	17.25	-4.0
1923.....	66.83	46.83	23.41	24.57	-4.7
1925.....	71.09	51.09	25.54	25.67	-.5
1927.....	74.67	54.67	27.33	26.33	+3.8
1929.....	78.60	58.60	29.30	30.59	-4.2
1931.....	56.91	36.91	18.45	18.60	-.8
1933.....	44.60	24.60	12.30	14.01	-12.2
1935.....	60.71	40.71	20.35	18.55	+9.7
1937.....	67.21	47.21	23.60	25.17	-6.2
1939.....	72.62	52.62	26.31	24.68	+6.6
Average.....					4.9

¹ See the last column of table I.² Reasons for the subtraction and division are discussed in the text.³ Statistical Abstract of the United States, 1942, p. 885. The figures for 1935, 1937, and 1939 are slightly smaller than they should be to be exactly comparable with those for earlier years; for in the later years, the value of contract work has been subtracted. Were the figures made comparable, the errors in column E would be reduced for 1935 and 1939, and increased for 1937.

also of the value added by manufacture. That such is the case is made clear by the graphs in chart 1.

CHART 1

LABOR'S SHARE IN THE VALUE OUTPUT OF MANUFACTURING

(UNITED STATES)

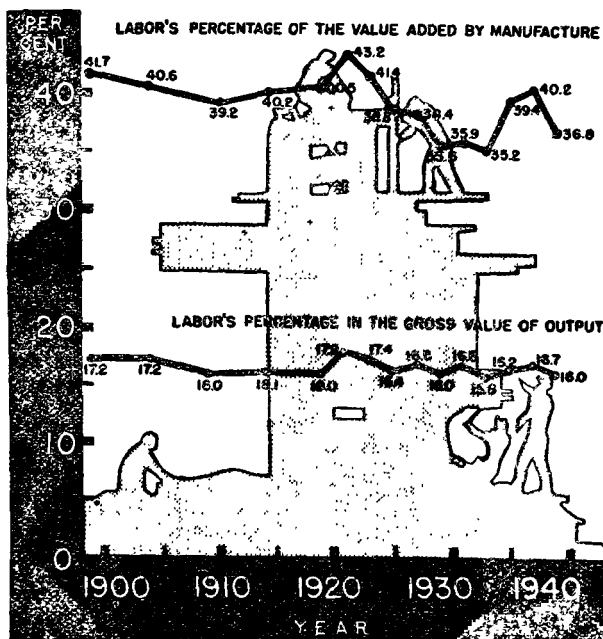


CHART 1

Year in and year out, labor receives a nearly constant share of the customer's dollar and a nearly constant share of the product of all our factories. The balance must go to pay for materials, taxes, salaries, depreciation, interest, insurance, rent, power, etc.

Percentages computed from data in the Statistical Abstract of the United States for 1941, page 845.

Since the total "value added by manufacture" is dependent upon the aggregate net new spending power in the Nation, and since wage workers receive an almost constant fraction of the value added by manufacture, it appears inevitable that the total "take-home pay" of all factory workers combined must depend upon the volume of net new spending power in the Nation. There is no way of escaping the fact that, if the total pay is known, the number of hours of employment which this pay will provide is determined by the average rate of pay per hour. If the rate of pay per hour were low enough, the factories of the Nation might employ 15,000,000 workers; if the rate of pay were high enough, they might be able to find jobs for only 5,000,000 workers. How very closely the volume of factory employment is determined by the volume of net new spending power in the Nation and the average hourly wage in factories is shown by table IV and chart 2. Reference to the last column of table IV shows that, in fact, when the number of hours of factory employment is estimated purely on the basis of net new spending power and average hourly earnings, the results come on the average within 6½ percent of the total number of hours of employment actually given by our factories. The closeness of this correspondence seems to prove conclusively that the two forces just mentioned are the prime determinants of the volume of factory employment in the United States.

TABLE IV.—Comparison of expected with actual total volume of employment of factory-wage workers in the United States

Year	A	B	C	D	E		F	G
	Net new spending power in the Nation ¹ (billions)	A - 20 (billions)	Expected factory wage total (billions) (0.1933 B)	Average hourly factory wage earnings ² (dollars)	Billions of hours factory employment		Error of estimate (percent) $\frac{E-F}{F}$	
					Expected $\frac{C}{D}$	Actual ³		
1920.....	\$65.70	\$45.70	\$8.84	\$0.606	14.59	19.15	-23.8	
1921.....	53.13	33.13	6.41	.524	12.23	13.88	-11.9	
1922.....	59.42	39.42	7.63	.494	15.45	16.56	-6.7	
1923.....	66.83	46.83	9.07	.541	16.76	18.94	-11.5	
1924.....	68.79	48.79	9.44	.562	16.80	16.77	+0.2	
1925.....	71.09	51.09	9.88	.561	17.61	17.84	-1.3	
1926.....	71.64	51.64	10.00	.568	17.61	18.14	-2.9	
1927.....	74.67	54.67	10.57	.576	18.37	17.60	+4.4	
1928.....	76.91	56.91	11.00	.579	19.00	17.71	+7.3	
1929.....	78.60	58.60	11.34	.590	19.22	19.00	+1.1	
1930.....	71.15	51.15	9.89	.589	16.79	15.05	+11.6	
1931.....	56.91	36.91	7.14	.564	12.66	11.70	+8.2	
1932.....	42.47	22.47	4.35	.498	8.73	8.56	+2.0	
1933.....	44.60	24.60	4.76	.491	8.70	9.90	-2.0	
1934.....	55.60	35.60	6.88	.580	11.86	11.03	+7.5	
1935.....	60.71	40.71	7.88	.599	13.16	12.59	+4.5	
1936.....	69.80	49.80	9.64	.619	15.58	14.50	+7.4	
1937.....	67.21	47.21	9.12	.695	13.11	15.59	-15.9	
1938.....	65.00	45.00	8.70	.716	12.15	11.41	+6.5	
1939.....	72.62	52.62	10.18	.720	14.14	13.94	+1.4	
1940.....	82.12	62.12	12.01	.739	16.25	15.38	+5.7	
1941.....	97.90	77.90	15.06	.814	18.50	19.51	-5.2	
1942.....	135.96	115.96	22.42	.924	24.26	24.32	-0.2	
Average.....							6.5	

¹ Sum of realized national income (as estimated by the National Industrial Conference Board) and changes in the combined volume of demand deposits and money, as shown in Federal reports.

² Computed by the National Industrial Conference Board and quoted in the United States Survey of Current Business.

³ Calculated from U. S. Census data on employment in manufacturing and from the figures on the number of hours worked weekly compiled by the National Industrial Conference Board.

We see, therefore, that whether employment increases or decreases is purely a matter of whether the key ratio; that is, $\frac{\text{Net new spending power}}{\text{Average hourly earnings}}$ rises or falls. That such is the case is shown by the figures in table V. Clearly, whenever the key ratio rises, people go to work. When it falls, they lose their jobs.

Table VI points out in simplified form, the fact that, when net new spending power rises faster than average hourly earnings, employment increases; when, on the other hand, net new spending power declines more than average hourly earnings, unemployment appears. Chart 3 presents this fact graphically.

CHART 2

**COMPARISON OF ACTUAL WITH EXPECTED
VOLUME OF EMPLOYMENT IN ALL FACTORIES
IN THE CONTINENTAL UNITED STATES**

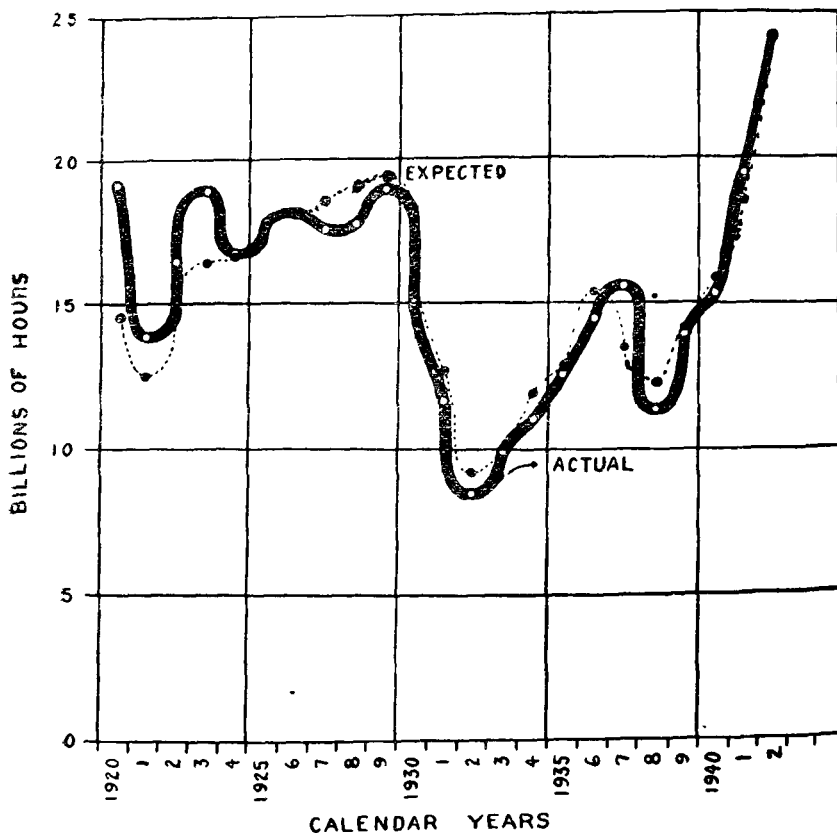


TABLE V.—*Cyclical changes in the ratio of national net new spending power, to average hourly earnings in manufacturing, compared with changes in the volume of factory employment*

Year	A	B	C	D	E		F
	Net new spending power ¹ (billions)	Average hourly factory earnings ²	Ratio. $\frac{A}{N}$	Factory employment ³ (billions of hours)	Percentage changes in—		
					Key ratio (see column C)	Factory employment (see column D)	
1920.....	\$65.70	\$0.606	108.4	19.15	-----	-----	---
1921.....	53.13	.524	101.4	13.88	-6		-28
1923.....	66.83	.541	123.5	18.94	+22		+36
1924.....	68.79	.562	122.4	16.77	-1		-11
1929.....	78.60	.590	133.2	19.00	+9		+13
1932.....	42.47	.498	85.3	8.56	-36		-55
1936.....	69.80	.619	112.8	14.50	+32		+69
1938.....	65.00	.716	90.8	11.41	-20		-21
1942.....	135.96	.924	147.1	24.32	+62		+113

¹ Sum of realized national income (as estimated by the National Industrial Conference Board) and changes in the combined volume of demand deposits and money as shown by Federal reports.

² Computed by the National Industrial Conference Board and quoted in the United States Survey of Current Business.

³ Calculated from U. S. Census data on employment in manufacturing, and from the figures on the number of hours worked weekly compiled by the National Industrial Conference Board.

TABLE VI.—*Percentage cyclical changes compared for net new spending power, average hourly earnings, and the volume of factory employment*

Period	Percentage change in—			
	A	B	C	D
	Net new spending power ¹	Average hourly earnings ²	A-B	Factory employment volume ³ (billions of hours)
1920-21.....	-19	-14	-5	-28
1921-29.....	+48	+13	+35	+37
1929-32.....	-46	-16	-30	-55
1932-37.....	+58	+40	+18	+82
1937-38.....	-3	+3	-6	-27
1938-42.....	+109	+29	+80	+113

¹ Computed from data in table I, last column.

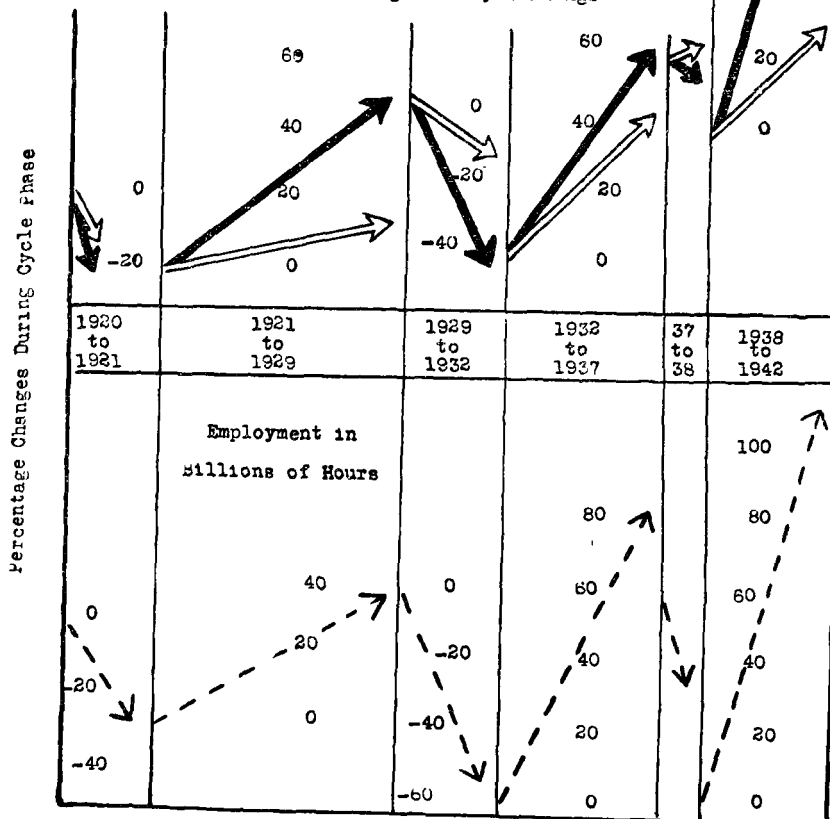
² Computed from data in table IV, column D.

³ Computed from data in table IV, column F.

CHART 3

PERCENTAGE CYCLICAL CHANGES COMPARED FOR
NET NEW SPENDING POWER,
AVERAGE HOURLY EARNINGS,
AND THE
VOLUME OF FACTORY EMPLOYMENT

Solid Arrows = New Spending Power
Hollow Arrows = Average Hourly Earnings



Whenever the spending power arrow is above the earnings arrow (upper graph), employment rises (lower graph); whenever the spending power arrow is below the earnings arrow, employment falls.

The feeling seems to be widespread that it is the duty of manufacturers to give employment to all would-be workers released from war jobs, and that, if they fail so to do, the conclusion is inevitable that private enterprise has broken down. However, table IV proves that factory employment is merely a function of net new spending power and wage rates.

Let us assume that, tomorrow, the Government stops inflating the currency. In that case, net new spending power will equal the national income, and this is, at present, running around 150 billion dollars per annum. If we subtract 20 billion dollars and multiply the remainder by 0.1933 we arrive at a figure of \$25.13 billion dollars—a quantity which approximates the total factory wage bill consistent with this amount of spending power. If we count 40 hours for each of 52 weeks—or 2,080 hours—as full time for a year, the available funds to pay factory workers during the coming months will total about \$12,081,000 per hour. Obviously, with pay (including rewards for overtime, bonuses, and allowances) totaling \$1 per hour, there would be money enough to hire 12,081,000 wage workers. With pay at the latest reported average; namely \$1.033 per hour, there would be jobs for 11,695,000. If the unions push average pay up to \$1.1695 per hour, the factories can employ only 10,000,000. To furnish factory jobs for all the 14,000,000,000 who were employed in the autumn of 1943 would mean that it would be necessary to reduce average earnings to \$0.863 per hour.

As stated above, the present national income is sufficient to hire but 11,695,000 full-time factory wage workers at current earnings of \$1.033 per hour. Yet, more than 13,000,000 have been working, and have been putting in overtime. How is this fact to be explained? The answer is that, during the past year, the Nation's spending power was augmented by some 21 billion dollars obtained by the Government through borrowing from banks or printing Federal Reserve notes.

Since, as we have seen, inflation is a ruinous process, it is clear that if we are to find a satisfactory method of maintaining employment at high levels, it will be necessary to use some device other than borrowing from the banks or printing paper money.

Since the volume of employment in the Nation depends entirely upon the size of the fraction $\frac{\text{Net new spending power}}{\text{Average hourly pay}}$, it is clear that, if Government insists on raising minimum wage rates, and thus increasing the denominator of the fraction, it will inevitably diminish the volume of employment in the Nation unless it offsets the effect by inflating the currency, and thereby enlarging the numerator of the fraction.

There can be no escaping the fact that any minimum wage law which has any effect whatever drives out of private industry all workers unable to produce the value of the wage minimum. A low minimum wage may throw out of work only a small group of the least efficient workers. A higher minimum wage will force out of industry the moderately inefficient. As the minimum goes higher up the scale, the number made idle by each 10 cents per hour increase expands rapidly.

Even if the demand for a given class of products is so intense that any increase in wage rates can be passed on to the consumers without noticeably lessening sales volume, the arbitrary wage increase still causes unemployment. Suppose, for example, that the pay of overall makers is forced up from 40 to 65 cents per hour. The resulting higher prices for overall may cut sales but slightly. But the customers who pay more for overalls will necessarily spend less for something else, for their incomes will not be increased. Hence, workers in some other field of production will lose their jobs—and they will never suspect that the increase in minimum wages caused them to join the ranks of the unemployed. Minimum wage laws are then particularly nefarious devices for pauperizing the less efficient sections of the working population at the same time that these classes believe that they are being benefited by the legislation.

At present, illogically enough, many of the same people who are advocating the passage of the Murray full employment bill also demand that wage minimums be raised to 65 cents per hour. Presumably this shows merely that they are unaware that the law of supply and demand applies to labor just as to any other good. Obviously, their efforts, if successful, will force the Government to take over the support of a large group of able-bodied potential workers who ought to be employed in private enterprise.

Since the volume of employment in the Nation is determined by the size of the fraction $\frac{\text{Net new spending power}}{\text{Average hourly pay}}$, it is clear that if the denominator of the fraction—average hourly pay—is pushed up continuously by the labor unions, it will not be feasible to maintain full employment unless the Government con-

tinues steadily to enlarge the numerator of the fraction by inflating the currency. It appears, therefore, that any sane, workable policy for preventing mass unemployment must include some provision for preventing labor monopolies from showing up wage rates faster than the productive power of labor increases. Were the special privileges at present granted to labor by the statutes abolished, and free competition established in the labor market, it seems unlikely that there would be any tendency for the price of labor to advance faster than the value of the labor product. Labor leaders know full well that, to retain the favor of their constituents, it is necessary to push wage rates up rapidly. As long as the laws of the land give them monopolistic control of the labor market, they are likely to continue to pursue this policy, and just that long it will be impossible to maintain full employment while, at the same time, pursuing a sound policy of Government finance.

Formerly, when labor unions pushed wage rates too high and threw men out of work, the support of those thus made idle was thrust upon the unions. Later the unions, by securing the enactment of unemployment-insurance laws, transferred this burden to Government. As long as such adequate aid for the unemployed is available, they can hold out for uneconomic wage rates. In England, this system made from one to two millions of workers objects of public charity for almost the entire period from World War I to World War II. In Germany, the volume of idleness created by unemployment insurance was proportionately even greater, and the resulting discontent brought Hitler into power and paved the way for World War II. Undoubtedly, unemployment insurance insures unemployment, and if rewards for idleness are pushed high enough, nothing that the President could do under the provisions of the Murray full employment bill could be counted upon to prevent the continued existence of a large volume of unemployment.

At present, labor leaders are vigorously demanding a general advance in wage rates. In order to justify this demand, they have created the fiction that raising wage rates increased the volume of spending power in the Nation. They have been able to get wide acceptance of this fallacious idea, presumably because most people do not distinguish between high wage rates and high take-home pay. The truth is, of course, that higher pay for the same amount of work lessens the employer's spending power by the same amount that it increases the employee's spending power. Moreover, higher hourly or piece rates not justified by increases in productivity, increase expenses per unit of output, raise the selling prices of products, diminish sales volume, throw people out of work, decrease the total wage bill in the Nation, lower the national income, and reduce the net volume of spending power. Chart 3 shows how this worked in the period 1937 to 1938. In that period, wage rates were advanced while new spending power fell off. The result was a marked drop in the volume of employment.

Another fallacy foisted upon the public by labor leaders is the notion that employers may take advantage of labor and prevent labor from getting its fair share of the product. That employers really have been unable to do anything of the kind is made clear by chart 1, which shows that labor's percentage in the volume of output tends to remain roughly constant year after year.

One possible action of the Federal Government which would go far toward introducing flexibility into the denominator of the fraction—Net new spending power,

Average hourly pay
would be to encourage the general adoption by employers of the system of paying labor a definite fraction of the distributable income of the enterprise in place of paying laborers fixed rates per hour. This general procedure is exemplified by the system of wage payments so successfully adopted by the Nunn-Bush Shoe Co. Under this system, wage rates are made automatically flexible, and, as the experience of that company has shown, the net result is to stabilize employment.

The problem of regulating the size of the numerator of the fraction is much simpler than is the problem of regulating the denominator. As shown in table I, the net volume of new spending power may be varied by increasing or diminishing the quantity of circulating medium, that is, the quantity of demand deposits in banks, and money. Reference to table I shows that the 1929-33 collapse was brought about primarily by the fact that demand deposits dropped from 25.43 billion dollars in 1928 to 19.09 billion dollars in 1933, a decline of more than 8 billion dollars. The Federal Government could easily have prevented this unfortunate shrinkage in the volume of circulating medium by using open market operations. For example, in 1930, it was obvious that the shrinkage in circulating medium was going on at the rate of approxi-

mately \$100,000,000 per month. What the Government ought to have done was to have purchased in the open market each month, \$100,000,000 worth of its outstanding bonds or notes, giving in payment therefor newly printed paper money. Those receiving this paper money, finding that it would bring them no income, would have automatically spent it for private securities or for other things, and this would have increased the demand for goods and prevented the recession from continuing. Had such action been taken in the latter part of 1929 and the early part of 1930, the probabilities are that the intensified decline during 1931 and 1932 would never have occurred, and that business would have moved along on a fairly even keel, unemployment never becoming a serious problem. This method of remedying the unemployment situation was experimented with at the end of 1931 and the beginning of 1932, and produced very satisfactory results, but it was discontinued too early to bring about complete recovery.

It will be observed that exchanging paper money for Government bonds does not affect the size of the public debt in any way. Both the bonds and the paper money are equally obligations of the Government; one is non-interest-bearing, and the other is interest-bearing.

The question has been asked as to why it would not work just as well to issue the paper money and use it to hire people or pay the operating expenses of the Government. The answer is that this method gives to the Government no assets which it can conveniently sell when boom conditions appear; and after depression has continued for awhile, a boom is very likely to develop. Moreover, the boom tends to lead to another depression. Therefore, any scientific method of regulating the volume of net new spending power must provide just as much for restraining the boom as for preventing the depression. If the Government issues paper money to buy bonds, and if later a boom begins to develop, all that is necessary is for the Government to sell bonds, take in the paper money, and retire it. If the paper money were respent, there would, of course, be no tendency to retard the boom.

It has sometime been suggested that booms and depressions might be prevented by proper tax policies. The truth is, however, that if money is taken away from taxpayers and spent by the Government, the net volume of new spending power—in other words, the numerator of the key fraction—is not affected at all. Even if such were not the case, the use of taxation as a stabilizer is a politically nonfeasible device. Changing tax rates requires legislative action, and legislative action cannot be timed with sufficient nicety to control the business cycle.

Another question which has often been raised is how any Government official could possibly know when to buy bonds and when to sell bonds, and how much to buy or sell in any given week. As a matter of fact, he could determine his actions by following an extremely simple gage, an index of the general price level of commodities sold at retail and at wholesale. A satisfactory guide for this purpose can be readily compiled from the material collected by the United States Bureau of Labor Statistics. If a period like early 1945, when the volume of employment was satisfactory, were taken as a base, and if the index for such a period were called 100 percent, all that the administrative official would need to do would be to sell bonds and take in money when the index rose above 100 percent, and buy bonds and put out money when the index fell below 100 percent. A brief period of experimentation would enable him to ascertain the volume of bonds necessary to move the index one point, and would furnish him a rough gage for operations. If he made an error in 1 week, no serious difficulty would follow, for he could easily proceed to correct the error in the next week. The skill needed to administer such a program would not be much greater than that exercised by the janitor who keeps the temperature in an apartment house at approximately 75° regardless of weather conditions.

From the facts and analyses thus far presented, the conclusion seems to be clear that the authors of the Murray full-employment bill are entirely correct in assuming that the Government does have a function to perform in stabilizing employment, and that this function cannot be performed by private employers or other private citizens. They are also justified in their assumption that it is entirely possible to guarantee to labor a reasonable degree of security without encroaching upon the freedom of enterprise and without diminishing the liberty of individual Americans.

However, analysis also makes it clear that employment stabilization is not likely to be facilitated by Government action unless the officials responsible for such

action understand what needs to be done, and have the power to take such actions as are necessary.

The idea advanced by labor leaders and others that the great improvements in production occurring during the recent World War tend to generate unemployment is wholly without foundation. The larger the volume of production, the greater is the quantity of goods sold, and therefore the larger becomes the national income and the net volume of new spending power. But the more spending power there is, the stronger is the demand for labor. It follows that doubling or quadrupling the productiveness of labor has not the faintest tendency to throw laborers out of work. What it does do is to increase their pay. Since, as shown in chart 1, labor tends automatically to get a fixed share in the value product, it follows that doubling the average productiveness per man-hour automatically doubles the average hourly pay of workers per man-hour. Experience shows that this happens whether labor is unionized or not. On the contrary, restrictions on output tend to throw people out of work, lower the total take-home pay, and reduce the welfare of the working class.

The notion that labor organizations or Government ought to offset increases in physical productivity by shortening the hours in the working week is an erroneous conclusion based upon a misunderstanding of the economic principles involved. Reducing the length of working time per week automatically reduces production, net new spending power, the total wage bill, and the welfare of the working class. True, it may result in sharing the evils of depression; but it makes for depression, not for prosperity.

Those favoring this policy again confuse cause and effect. As labor becomes more productive, real pay per hour automatically tends to increase. This means that the utility to the worker of the dollar of pay diminishes, and he begins to consider more favorably the idea of substituting leisure for pay. In a country where real hourly wages are high, workers normally prefer to work fewer hours, and have more time for recreation. In the United States, working hours per week have declined greatly because labor has become more productive, and hence has wanted more leisure. If productivity per hour were to fall to the level existing in 1800, the people of today would, of their own accord, insist on working a 70 or 80 hour week just as did their great-grandfathers 145 years ago. Again we see that if labor legislation or regulation is really to benefit the working class, it must be placed upon a scientific basis justified by the facts of the situation.

It is to be sincerely hoped that the full employment bill, if enacted, will be in a form which will dispel the fears of those who think of it as an instrument for increasing the Government debt, furthering inflation, destroying thrift, and fastening upon the Nation a system of regimentation and totalitarianism. By amending the bill along the lines suggested above, it would be possible to gain for the bill the support of all those classes of citizens interested in advancing the welfare of the laboring class, that class making up the largest single group of our population, and hence entitled to primary consideration.

FULL EMPLOYMENT ACT OF 1945

THURSDAY, SEPTEMBER 27, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES IN EXECUTIVE DEPARTMENTS,
Washington, D. C.

The committee met at 10 a. m., the Honorable Carter Manasco (chairman) presiding.

The CHAIRMAN. The committee will come to order. We have with us Mr. Thomas J. Scott, who is a veteran of World War II, and who has some observations he would like to make with reference to this bill.

STATEMENT OF THOMAS J. SCOTT

Mr. SCOTT. Do you want me to read the bill I suggest?

The CHAIRMAN. You may insert your statement in the record at this point.

Mr. SCOTT. This is a proposal to accomplish full employment.

I present the following bill, which is suggested as a means of bringing about full employment in the United States.

A BILL To provide for the employment of every citizen in the United States, who is able to do productive labor, by a permanent public-works program, and to further provide the necessary revenue to pay for all labor and materials required in this public-works program

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That a permanent public works program be established to employ every citizen of the United States who is able to do productive labor and who should apply for such work.

That a sliding scale sales tax or a sliding scale tax on total income of all persons in the United States be established to provide funds for the purpose of purchasing necessary materials and paying the labor employed in carrying out this public-works program.

Be it further enacted that:

1. The rate of the above-mentioned sales tax or total income tax shall be computed by dividing the amount of money estimated to be necessary for the public-works program by the total value of all sales or by the value of the total income of all persons in the country.

2. The tax rate shall be computed annually and any unused excess of funds shall be applied on the cost of the public works program during the following year. In the case of a deficiency the money to finance this program shall be borrowed on a short-term loan basis and this amount shall be added to the cost of the public-works program for the next year.

3. There shall be no exemptions from the above-mentioned sales tax or income tax.

4. The money obtained from this sales tax or total income tax shall be divided among the various States in direct proportion to their population by the latest census.

5. The nature of the public works program in each State shall be determined by the local authorities in that State.

6. Each State shall submit annually an estimate of the number of unemployed in that State and a list of proposed public-works projects.

7. In no case shall any State have a total expenditure during the year for materials used on this public-works program in excess of their labor pay roll.

8. In no case shall the pay of anyone employed under this public-works program be more than 80 percent of that which could be obtained for similar work in private industry.

9. Just regulations, such as suspensions or other penalties, shall be set up to provide for the proper efficiency of all labor employed under this public-works program.

The purpose of this bill is to provide for the future welfare and prosperity of the United States. By its enactment all periods of unemployment and depression will be prevented in the future, and every person, able and willing to work, will be provided with a job in either private industry or on public works.

Operation: This public-works program will operate in the following manner. Assuming the total unemployment during 1946 in the United States to be 2,000,000 persons and again assuming that each person would be paid \$500 a year, this would amount to a labor charge for this public-works program of \$1,000,000,000. Allowing an equal amount, or another \$1,000,000,000, for materials, this would make the total cost of the public-works program for 1946 amount to \$2,000,000,000. This cost would be balanced by a 2.86 percent tax on retail sales of an estimated \$70,000,000,000. If this sales tax should seem excessive it could be levied in part on retail sales and in part on wholesale sales. Or if it is preferred to levy this tax on the basis of total income, the \$2,000,000,000 could be collected by a 1.35 percent tax on an estimated United States income of \$150,000,000,000.

With this program in operation, one-half of the total cost will be spent for materials, which will be a stimulant to private industry and will cause private industry to hire additional labor for the production of these materials. Also, the pay roll of the workers employed under this public-works program will quickly pass on to various private businesses and this will increase the purchasing power of the country and will cause better business conditions. Also, since all workers on this public-works program will only be paid 80 percent of the comparable wages in private industry, the tendency will be for them to seek jobs in private employment. The main purpose of this program is to gradually force all workers into private industry and as this is slowly accomplished by this method, the sliding-scale tax will become lower each year and eventually will be eliminated.

Sales tax or income tax: Objections will undoubtedly be raised against a retail or wholesale sales tax because of its bearing most heavily on the poorer people. In answer to this is the fact that one-half of the revenue from this tax will go directly into the pockets of the very poorest class—those without jobs—and the remainder of the tax will go for the purchase of materials, which will improve general business conditions so that better jobs will be available to all workers.

In a very short time now, several million discharged soldiers and sailors will be looking for jobs and if a sales tax would provide them with means of employment, the people of the United States will not oppose this.

The CHAIRMAN. Now, do you have any comments to make on this proposed bill before us?

Mr. SCOTT. Yes, every person in the United States that is willing to work should have a job. When you have a depression sometimes people who are willing to work are unable to find jobs. The logical thing to do is to let these people work on public projects, like roads, public buildings, parks, or any other form of public work. All right, You do this, and you have to pay for it in some way or another. The best way to pay for a thing is to pay for it right now, and this is going to cost several billion dollars—nobody knows exactly what the unemployment figures will be—and the only way to get that money is to have a sales tax or a total income tax, or a wholesale trade tax, a tax on wholesale trade, and have the taxes on a sliding scale so that the amount of money required for public works, for the labor and materials for public works, divided by your total retail sales or your total income, will give you your percentage, and you use that percentage to figure out what your tax will have to be.

The CHAIRMAN. In other words, you believe we should pay for all our public works out of current revenue?

Mr. SCOTT. Yes, sir.

The CHAIRMAN. And not finance it by deficit financing.

Mr. SCOTT. That is right.

The CHAIRMAN. That is pretty sound thinking along that line, I am sure. I think Mr. Rich will agree with you on that.

Mr. SCOTT. The statement I have already put in the record stresses all the points. There are certain technical points which you have to take care of in a program like this. These people on a public-works program should not be paid quite the same salary as a man in private industry would be paid. Just as a guess, I would say that he should be paid 80 percent of what a person in private industry would be paid. That is in order to insure that if he is trying to get high wages it will force him into private industry.

The CHAIRMAN. In other words, you don't want to encourage him to enter into public works?

Mr. SCOTT. You want to get the public works done with and get most of the labor into private enterprise.

The CHAIRMAN. That is a pretty good suggestion. Do you have any further suggestions you would like to make for the record?

Mr. SCOTT. A sales tax is going to be very unpopular, I concede. A sales tax puts the heaviest burden on the poorest people, but as long as you are taking this money from the sales tax and you are putting it right into the pockets of the very poorest people we have, you answer that argument. It hurts the poorest people the worst, but you are taking this money and putting it in the pockets of the poorest people.

If you can't pass a sales tax, if it would be politically unwise, you can have a total income tax and use the same percent. In other words, the amount of money required for public works you are going to require—and you generally require about as much money for material on public works as you do for labor—that amount of money divided by your total income or your total sales will give you the tax. You will balance it off every year. You will force these materials and labor to go back into private industry and absorb more people from your public-works program, and it will gradually diminish.

The CHAIRMAN. That sounds logical.

Mr. SCOTT. Have you any questions?

The CHAIRMAN. We thank you for your very valuable suggestions. I don't have any questions; do you, Mr. Rich?

Mr. RICH. I haven't been thinking of any; no. I might ask the gentleman this: Do you know of anyone who is interested in our form of Government that doesn't want every man to have a job?

Mr. SCOTT. No, sir; I don't know of anybody, personally.

Mr. RICH. I think it is unanimous among the people of this country—I am speaking now of those who believe in the American form of government and in our Constitution—that they want a job for everybody who wants work.

Mr. SCOTT. Yes, sir, I agree with you; everybody should have a job who wants to work.

Mr. RICH. And we have got a million and a half people in this country that are prohibited from working right now, and the jobs are just going begging. What would you do under those conditions?

Mr. SCOTT. Who are these million and a half people?

Mr. RICH. We have a million and a half jobs, I say, waiting for people to take them, and we have got a lot of people, a million and a half, according to the morning papers, that are not working. What would you do under conditions of that kind?

Mr. SCOTT. Put them on public works.

Mr. RICH. We have got the jobs now in private industry. We don't need to do that. We have 1,850,000, according to the morning papers, who are not permitted to work.

Mr. SCOTT. The reason for that is just a local current disturbance. People have been on war work and they still have a fair lot of savings and they have not been transferred to private places yet. They haven't found their way to those jobs yet.

Mr. RICH. The jobs are there for them to come to work at, but they are refusing to take the jobs. What would you do under conditions of that kind?

Mr. SCOTT. I would let them go hungry until they are willing to take them.

Mr. RICH. That's all.

The CHAIRMAN. That is a pretty good answer. Thank you very much.

Mr. SCOTT. Thank you, sir.

The CHAIRMAN. The next witness this morning was to have been Dr. Willard E. Givens, director of the National Education Association.

STATEMENT OF R. B. MARSTON, DIRECTOR, LEGISLATIVE-FEDERAL RELATIONS DIVISION, NATIONAL EDUCATION ASSOCIATION

Mr. MARSTON. Mr. Chairman, Dr. Givens was not able to appear this morning, being out of town, and arriving sometime this morning, and he asked me to appear in his place.

The CHAIRMAN. This is Mr. R. B. Marston?

Mr. MARSTON. That is right; director, legislative-Federal relations division of the National Education Association.

I have three points that I want to touch on briefly; the first one relating to the adverse effects of unemployment on education; the second, education itself is a considerable force in maintaining and improving

production and employment; and, third, I want to touch briefly upon opportunities in the field of education to expand employment opportunities in our country.

The CHAIRMAN. Very well; you may proceed.

Mr. MARSTON. The teachers of America welcome the recent interest shown by Congress in attempts to safeguard the economic security of the individual citizen. We know from first-hand experience that the typical child develops through the years of his schooling a strong belief in America as a land of opportunity. He looks forward to the day when he can obtain and make progress in a job. He wants to join with others in building happiness and economic security for all under a democratic free-enterprise system.

If, however, youth upon entering the world of business is confronted by chaos and unemployment his hopes and ideals are shattered. He develops attitudes of resentment and irresponsibility. We teachers see these things almost daily, but in periods of unemployment, such as we had in the 1930's, the moral and physical damage to our citizens is widespread and acute.

The National Education Association has no specific legislation to propose. The association joins with others in approving the general principles and purposes embodied in H. R. 2202. It applauds the view so widely held in Congress that all of us through our Federal Government have an inescapable obligation to provide job opportunities for those who want to work. To be politically and morally strong America must also be economically secure.

Unemployment adversely affects schools: During the depression of the 1930's teachers faced many terrible experiences. They saw fear creep into the eyes of their pupils; they were helpless witnesses of the damage wrought by malnutrition and diseases; they could not prevent the truancy and drop-out of many children who, for lack of clothing and other necessities, no longer attended school. Teachers saw the disintegration of family life. These conditions ultimately lowered the quality of instruction. Hungry children do not study.

But depression conditions also adversely affected teachers themselves. Taxes were reduced to the point that in many communities schools were closed and teachers lost their jobs. Thousands of teachers continued to work even though they were not paid. In March 1934 the unpaid teacher salary checks amounted to \$57,000,000. Fortunately, Congress helped the situation by authorizing the RFC to lend school authorities up to \$75,000,000.

The damage done to schools during the early 1930's constitutes a long list. Total current expenditures declined, on the average throughout the Nation, by 20 percent. Expenditures for buildings and equipment decreased more than 60 percent. School terms were shortened and the curriculums were curtailed. Many school activities, which help to prevent delinquency and crime, were dropped entirely. Classes increased in size to the point where teachers were merely "hearing lessons."

Briefly, the situation has been summarized in four phases; responsibilities increased; resources decreased; services reduced; inequalities of opportunities continued.

Education promotes economic progress: Too frequently the idea is held that expenditures for education—like those for charity—merely

provide for a current need; that once paid out the money is gone forever and society gets no benefit beyond the present.

Actually the process is very different. Educational expenditures are investments in individual human resources which pay dividends as long as the individuals live. Through education the individual's capacities are increased both as a producer and as a citizen. By raising the level of the education of its citizens a nation guarantees its own future. Citizens with high productive capacity and economic ability are able to pay their share of the costs of government.

The close relationship between the economic progress of people and their educational opportunities has been stated again and again by leading economists. Let us note only a few examples:

Dr. F. W. Taussig, professor of economics at Harvard University for many years:

A wide diffusion of education is a most effective means toward productiveness. It is effective particularly toward stimulating and diffusing new kinds of efficiency. Wide and free diffusion of all sorts of vocational training would almost certainly increase the productive power of the community as a whole.

Dr. F. R. Fairchild, professor of political economy at Yale:

The economic superiority of the United States and the other leading nations of the world, as equally the economic inferiority of such nations as China and India, is without doubt largely to be ascribed to differences in education.

Dr. Harold F. Clark, professor of economics at Columbia:

It is generally accepted that if education is wisely planned, it will greatly increase the income of society * * *. Enough education should be provided so that persons can work in the occupations and in the manner in which they will produce the greatest output of goods and services.

Similar points of view have been stated by such business leaders as the following:

Eric Johnson:

Our postwar economy will be predicated upon increased production at high wages. Education must accept the responsibility of preparing youth to earn these high wages. This is a program which businessmen can and will assist—so that America may go forward to meet its great destiny of lasting prosperity and greater abundance for all.

Thomas C. Boushall, chairman of the education committee, United States Chamber of Commerce:

There is a close relationship between business levels and educational levels. We agree that education, as a whole, has made a splendid and essential contribution to the wealth of the Nation by adding to the productive capacities of our people. But we must go forward. Existing levels of education must be raised throughout the Nation if the economic status of our people is to be further improved.

It is also possible to find among the statements of labor and agricultural leaders recognition that education increases the economic well-being of the Nation.

If time permitted it would be possible to quote further supporting statements from research studies by Everett W. Lord, Donald E. Gorseline, the American Youth Commission, and the Research Section of the Works Progress Administration.

Both from expert testimony and research studies we find again and again the conclusion: That an effective educational program increases the occupational efficiency of individuals, multiplies their

demands for useful goods and services, and raises the level of their participation in economic processes. This conclusion is supported by the economic status of the nations of the world. All nations that have enjoyed an advanced stage of economic development have also made extensive provision for education.

My final point is that increased employment comes through improved education: There are employed today in the public elementary and secondary schools a total of 860,000 classroom teachers, principals, and superintendents. In addition, school systems employ at least 120,000 nonteaching employees, such as clerks, custodians, bus drivers, mechanics, and nurses. In brief, there are very close to 1,000,000 employees of public education at the elementary- and secondary-school levels.

In spite of the general excellence of public education there are certain inadequacies which have been significant in connection with the problem of full employment.

(1) There are thousands of overcrowded classrooms enrolling 40, 60, or even 100 pupils. Classes should be reduced to 25 to 30 per teacher.

(2) In many areas there are no school facilities available to children and youth. More facilities are needed for the young child; but transportation and consolidated schools are needed in many areas.

(3) There are hundreds of schools where the curriculums offered are too narrow and academic for modern social and economic conditions. Modern problems call for modern studies taught by teachers who are experts in their fields.

(4) There are thousands of children who need to have the services of school nurses, guidance experts, and special teachers. The Selective Service revealed physical and mental conditions which should have been discovered and treated during youth.

(5) In the vast majority of school systems there is little place for the adult who wishes cultural, recreational, or vocational training opportunities. Many adults need rehabilitation and guidance. The school of tomorrow is a community school.

(6) Few school systems have adequate facilities to deal with the juvenile delinquent, the deafened school child, the crippled, and other types varying from the typical child. Many of these children can become useful and productive citizens if given the proper education.

Public education needs to be made available to additional thousands, present school offerings need to be increased, overcrowded conditions should be corrected; the quality of instruction in many instances should be improved.

From very careful analyses of these problems and of possible employment needs, it has been estimated that public education alone could provide nearly 1,000,000 additional jobs.

Where 860,000 teachers, counselors, and librarians are employed, the future need is for at least 1,306,000.

Where today possibly 3,500 school nurses are employed, the future need is for at least 18,300.

Where today there are possibly 15,000 school clerks, the future need is for at least 61,500.

Where today there are about 90,000 full-time and part-time bus drivers, the future need is for at least 134,700.

Where today there are possibly 80,000 school administration officials, supervisors, and employees in the central offices of school systems, there is the future need for at least 123,200.

These estimates of possible employment—based upon an improved and expanded program of public elementary and secondary education—would total more than 1,600,000 school employees. This total is nearly twice the present employment in public schools. It means adding approximately 1,000,000 employees to the present working force.

Similar but somewhat smaller extensions could be made in public education at the collegiate level. If college programs were developed and made generally available they would add possibly an additional 100,000 employees to the present estimated total of 150,000 employees in public colleges and universities.

Also these improvements in public education would—as they have in the past—stimulate employment and improvements in private schools and colleges. From such developments there would be additional jobs to help in maintaining full employment.

It should not be forgotten also that teachers are consumers. The bulk of their salaries are returned almost immediately to the national economy through purchases of food, clothing, shelter, and the other necessities of life. An expanded educational program would call for textbooks, maps, buildings, equipment, school busses, and hundreds of other items that industry would be called upon to supply. These purchases by school systems and colleges would add materially to full employment.

THE CHAIRMAN. Dr. Marston, I understand you are from West Virginia, and we have a very distinguished member of our committee from West Virginia, Mr. Randolph, who must leave to attend another committee, of which he is chairman.

MR. MARSTON. I was very proud to recognize my distinguished neighbor from West Virginia.

MR. RANDOLPH. Mr. Chairman, I appreciate your allowing me to make an observation, and perhaps place one or two questions to the witness. He, as you have very properly said, is a West Virginian and—not to use the overworked word “distinguished” again during this hearing—I would like to say that he is a very able worker in the field of education in our State and has had and continues to have, I am sure, the confidence of our people.

Dr. Marston, I am wondering if you will turn your attention to page 2 of the legislation, H. R. 2202, that we are considering. Do you think that it might be appropriate to amend subsection (c) of section 2—

MR. MARSTON. That is on page 2?

MR. RANDOLPH. Yes, sir.

MR. MARSTON. Yes.

MR. RANDOLPH. On line 21, you will find:

* * * strengthen the national defense and security.

I am wondering if your organization, and you as an individual, would think that the bill might be strengthened, or at least suit the purposes of those who believe in fundamental education, if there was an addition made so as to make it read:

* * * strengthen, through education and otherwise, the national defense and security.

Mr. MARSTON. I think, sir, I would regard that with a great deal of favor. We certainly believe that education has a most intimate and important relation to our national defense and our security.

Mr. RANDOLPH. I thought, in reading this part of the bill, that perhaps if such an amendment were considered to be of value, that it could better be placed in that sentence than in any other section of the bill. Do you believe, Dr. Marston, that the passage of the Ramspeck legislation now pending before the House Education Committee, would be a step toward what we feel the President is called upon in this legislation to recommend to Congress, legislation which would help bring such a program into effect?

Mr. MARSTON. One of the objects of the legislation is to eliminate, as far as possible, if it can be done, actually to reduce to a satisfactory level, overcrowded classroom conditions in this country. It would be impossible to do that without additional employees in the school system.

Mr. RANDOLPH. One more question and I am through. Do you have any knowledge of the position of the President upon the Federal aid-to-education program of Mr. Ramspeck?

Mr. MARSTON. No, sir; I am not in a position to say.

Mr. RANDOLPH. Has he ever made a statement to your knowledge?

Mr. MARSTON. The only statement that I have seen was in the President's message of the 6th of September, in which he stated that he planned to present such a message on education to the Congress.

Mr. RANDOLPH. Thank you, Dr. Marston. Mr. Chairman, I appreciate your allowing me to take this brief time, and now Mr. LaFollette of Indiana and myself must go.

The CHAIRMAN. Mr. LaFollette is also a member of that committee which has very important legislation to consider this morning, and with the permission of the rest of the members we will let Mr. LaFollette make any observation he wishes or ask any questions.

Mr. LaFOLLETTE. Mr. Marston, I have got a bill on this matter, too, H. R. 4181, before this committee, but I don't know whether we are considering it, but we can consider what I want in the light of what we have got.

The CHAIRMAN. I may say that I have read your bill, Mr. LaFollette, and I think it would be germane.

Mr. LaFOLLETTE. Would it be in order for me to direct questions to it?

The CHAIRMAN. As an amendment to H. R. 2202.

Mr. LaFOLLETTE. That is very kind. The thing I want to point out in this connection is that where legislation H. R. 2202 speaks of the national volume of products, on page 4 of the bill, in subsection 2—

Mr. MARSTON. What line is that?

Mr. LaFOLLETTE (reading):

The estimated aggregate volume of investment and expenditure by private enterprises, consumers, State and local governments, and the Federal Government, required to produce such volume of the gross national product, at the expected level of prices. * * *

Now, in lines 4 and 5—do you see it there?

Mr. MARSTON. Yes, sir.

Mr. LaFOLLETTE. Then on line 8, that bill speaks of "full employment volume of production." To that I have added the words "and services."

Mr. MARSTON. Yes.

Mr. LAFOLLETTE. So that that would read:

* * * the gross national product and services—
and the words in quotation marks would read:
full employment volume of production and services.

Having in mind that employment includes services other than the actual production of goods, consumer goods or otherwise, certainly the activities of any one in the educational field, those directly teaching, is a service, is it not?

Mr. MARSTON. I think they should be regarded that way. We certainly are not in production in the way we would be in an industrial plant. Our production, Mr. Congressman, is in another way.

Mr. LAFOLLETTE. That is what I thought.

Mr. MARSTON. That is right.

Mr. LAFOLLETTE. But the total employment of this country includes people in services, does it not, in your opinion?

Mr. MARSTON. Yes, sir.

Mr. LAFOLLETTE. Many of the small businesses of the country are personal services businesses. So that it occurs to me that I am very much in sympathy with your position and your statement, but I think I have got a piece of legislation that permits that employment to be considered in the total employment, whereas it has been overlooked in the legislation which has been heretofore prepared and submitted to this committee.

Mr. MARSTON. I would like to say that I did not address myself to any specific piece of legislation, having, of course, in mind that H. R. 2202 is before the committee this morning.

Mr. LAFOLLETTE. That is right. The point I want to make is that certainly, in preparing a national budget, it would seem to be proper to consider the services in the total employment.

Mr. MARSTON. I see no way of escaping that, because, after all, in the field of education at the present time, in our elementary and secondary schools, we are employing approximately 1,000,000 people. Now, to do the job we ought to do, probably we ought to have 1,600,000 people in education. We have somewhere between 2,000,000 and perhaps 5,000,000 youth of school age not in school at this time. The census figure for 1940 gave a little in excess of 2,000,000. Now, let us assume for the moment that we might bring all of the children in this country who are eligible for education and who ought to be in school at this time, into schools. The number of teachers in addition to those we now have who would be required for that service, and in addition, all of the maintenance employees, janitors, bus drivers, maintenance forces, nurses, health people, and so forth—we believe that education could absorb a great many more employments than is now being made in education without in any sense violating the principle of sound investment of public revenues. We have so many children who are out of school; we have so many children whose opportunity is substandard. That is witnessed by the fact that we had approximately 1,000,000 men rejected under selective service for only one reason—that was the educational deficiency from which they suffered. So that if we could get into these overcrowded classrooms, bring these children into school, if we could do our nursery and

kindergarten school program as it ought to be done, if we could expand our vocational training program as it ought to be expanded, we could absorb a great many more employments, take a great many youth out of the field of the competitive labor market, and I believe that in the process we could make a contribution to their finding their own way, developing their own experience, which would stand them in good stead in future life.

Mr. LAFOLLETTE. Certainly, from what you have said, a consideration of full employment which eliminates the consideration of employables in the services is not an adequate consideration?

Mr. MARSTON. No.

Mr. LAFOLLETTE. The other thing is just an observation, and I think you will agree with it. Isn't it odd that by reason of the relatively short-sightedness of those who have, in their failure to educate those who have not, that those who have not are eliminated from rendering service in time of war, and those who have exact a blood sacrifice from their own kind because they failed to educate others sufficiently to serve?

Mr. MARSTON. You are speaking very lucidly on a point that touches me rather intimately. Further than that, I would say that the proper education of all of the children in this country is a line along which we should go, and—

Mr. LAFOLLETTE. If you are educated, you have more desires; and if you have more desires, you want more goods.

Mr. MARSTON. You cultivate a desire, and when you cultivate that desire you want to fulfill it, and the only way in which you can fulfill it is to go out and work.

Mr. LAFOLLETTE. But there is that element of blood sacrifice that I mentioned, by the people who are hanging on to their money, just as there has been from the beginning of man?

Mr. MARSTON. Yes.

The CHAIRMAN. Dr. Marston, I believe you stated that the educational forces could use about 800,000 more employees in the educational field.

Mr. MARSTON. Yes, sir.

The CHAIRMAN. As I understood your answer to Mr. Randolph a while ago, you favor a Federal-aid bill for education.

Mr. MARSTON. Yes, sir; that is true. Let me say, however, that in speaking in this area in which this legislation lies, we recognize that private enterprise, that local government and State government also have their responsibility. In other words, I am not seeking here to make a particular appeal or special appeal for a Federal-aid program. But, yes, we decidedly believe in it, Mr. Chairman.

The CHAIRMAN. Would it be fair to state that if our level of education is increased and extended to every person who is capable of being educated—some people, of course, we must realize through mental handicap cannot be educated—would it be a fair statement to say that if our educational level were raised, it would tend to reduce unemployment?

Mr. MARSTON. It is my personal belief that that is one of the most important long-time approaches to be made to the whole problem of unemployment.

The CHAIRMAN. And if we can streamline our education, maybe, in some fields and extend it in others, the leadership involved in educa-

tion might make it possible for our country to escape the ravages of unemployment?

Mr. MARSTON. That is true, in my judgment; and it seems to me that any careful examination and study of that very unusual and excellent study made by the United States Chamber of Commerce, under the committee headed by Mr. Boushall, whom I quoted, would lead one to believe that that viewpoint, Mr. Chairman, is very substantial.

The CHAIRMAN. The unemployment we have occurring from time to time probably could be avoided if we had better educated leadership in industry, and in government?

Mr. MARSTON. I think so.

The CHAIRMAN. And in all fields of endeavor.

Mr. MARSTON. And all through the field, not only of management, but certainly of labor—everywhere. I know of no place where a good education is a handicap. I think, within my own observation, it is a great advantage.

The CHAIRMAN. You think it would be much wiser to increase the funds for education than it would be to be appropriating money for certain public works projects that have no national value?

Mr. MARSTON. You ask a question there, Mr. Chairman, that I am not sure I am competent to answer with a great deal of conviction. For example, in the field of education we need construction very badly. I am sure you are acquainted with that.

The CHAIRMAN. Of course, that would contribute to the national wealth.

Mr. MARSTON. The kind of employment that we believe ought to be provided is the kind of employment that will do the very thing you are talking about, render appropriate returns for the investment made to the country.

The CHAIRMAN. Your organization does not take a position on the bills under consideration; you don't express yourself for or against?

Mr. MARSTON. We don't feel competent, Mr. Chairman, to enter into a technical discussion of the content of this legislation.

The CHAIRMAN. You wouldn't say that your organization would be willing to commit itself to the proposition that the Federal Government owed everybody a living, would you?

Mr. MARSTON. I certainly don't believe we would agree that the Federal Government owes everybody a living. I am, however, pretty much disturbed, Mr. Chairman, about the obligation of the Nation to the individual who wants to work and is willing to work, and who has served his country well, who has been a good citizen in his community, who is respected by the officers of the law, when conditions arise over which he has no control whatever, and he has a family. Now, I am not sure that we can pass that man by. We have got to keep him a good American citizen. The same thing happens to him that happens to these children I was talking about a while ago, when they come to school and they are hungry, and they are not well clothed. They cannot study well. And the honest man who is doing the best he can for his family and serving his country well is helpless when he gets into certain situations of that kind. And I do think we must do whatever we can to see that he has an opportunity.

The CHAIRMAN. An opportunity?

Mr. MARSTON. Yes.

The CHAIRMAN. Wouldn't the opportunity carry with it the obligation to support?

Mr. MARSTON. I suspect it would.

The CHAIRMAN. In other words, we have had all through history droughts and pests—

Mr. MARSTON. Yes.

The CHAIRMAN. And other things that destroy crops. That is one of the hazards the farmer faces when he starts farming.

Mr. MARSTON. It is very fortunate, however, that we don't suffer as much from them as we did a century ago.

The CHAIRMAN. The lean years and the fat years—we still have those.

Mr. MARSTON. Maybe not as many.

Mr. WHITTINGTON. The weather hasn't changed.

The CHAIRMAN. No; the weather hasn't changed. We still have droughts and hurricanes and so forth. Do you think it is the obligation of the Federal Government to see that these farmers are taken care of when their crops are destroyed by water—

Mr. MARSTON. Again, I am not an expert in the field of economics. It seems to me there is an obligation, Mr. Chairman and gentlemen of the committee, upon the Government of this country, upon the very society to which we belong, to protect its existence through seeing to it that conditions are not created and perpetuated which build up a resistance in the minds of our citizens to our existing arrangement, our broad pattern of democratic society, and that sort of thing.

The CHAIRMAN. I would like to know if you have made any study, or if your organization has made any study of what can be considered the minimum annual decent wage for the head of a family of, say, three?

Mr. MARSTON. We have in the field of education, Mr. Chairman—I don't have the figures in my mind just now. I was going to say that we had a better idea of what might be considered the minimum salary for teachers. We thought we had last year.

The CHAIRMAN. And they are too low now?

Mr. MARSTON. Yes, sir. We had some 28,000 teachers last year under \$600; we had some 190,000 under \$1,200 a year, and I think our average salary for 1943-44, as I recall now, was \$1,625. I am not quite sure that I have that exactly right. Our salaries for teachers today are far below, Mr. Chairman, as you know, what Congress considers a living salary for Federal employees. I believe that the minimum salary now for professional employees in the first year, without experience, is \$2,000, while the last average salary that we computed for the teachers of this country was \$1,625. That is the last figure that we have. We don't have the figure for last year.

The CHAIRMAN. If the Government were to undertake to guarantee a job for everyone who desires to work and who was qualified and able and who couldn't get employment in private enterprise, and the Government assumed that obligation of giving him employment, would you advocate the payment of a minimum of, we will say, \$2,000 a year to those people?

Mr. MARSTON. I confess myself—trying to be honest with you—in no position to hazard a figure of that kind. My work is in the field

of education, and I am not an economist, and I would not know how to answer your question.

The CHAIRMAN. If we make an attempt to control our economy—that would result, wouldn't it? If we undertook to guarantee everyone a job wouldn't we have to control our economy?

Mr. MARSTON. Probably only to this extent—and I am certainly willing to correct my own judgment if it is in error. I think that private enterprise should have a green light to do everything it possibly can, with no restraints. That is basic in American life. We should not, in any sense, restrict private enterprise in developing its full capacity for production and for employment. But, after we have done that, and we have a large residue of unemployed people in this country, then what do we do about it? We can't let them starve.

The CHAIRMAN. That is what I say. Wouldn't it be necessary if we see that the automotive industry was going to produce more cars in a year than the market could absorb, and have a stockpile of automobiles, which would mean laying off thousands of men for a period of 3 or 4 months—wouldn't it be necessary for us, in order to avoid unemployment, and in order to avoid the obligation of the Federal Government to give people work, who have been thrown out of jobs by this overproduction—wouldn't it be necessary for us to place a ceiling on the number of automobiles they could manufacture in any one year, after they have ascertained the number of cars the market could absorb?

Mr. MARSTON. Wouldn't the demand itself determine that? That is to say, I know of no industry that would produce far beyond what it has a market for.

The CHAIRMAN. What I am talking about is the automotive industry could probably produce 10,000,000 cars next year, and next year the market would probably absorb that many; year after next year they could probably produce another 10,000,000 cars, but the market would only absorb 8,000,000, according to figures I have seen in the papers.

Mr. MARSTON. Yes.

The CHAIRMAN. Then we would have a lot of unemployment in the automotive industry and all the industries that back up the automotive industry.

Mr. MARSTON. I assume, of course, that if we knew the answers to all these things it would simplify the art of preparing legislation for it. I don't want to attempt even to go into a discussion of the detailed operation of a program of this magnitude, because I am just, on this matter, a plain American citizen, with not a great deal of background.

The CHAIRMAN. In studying legislation, and reporting it; when you report it to the House you must be able to tell the Members of the House something about the operation of an act, and not present it to the House on mere guesswork. We have to have something to base it on.

Mr. MARSTON. That certainly is true, but you have experts in this area, and I am not one. I am very frank to confess I am not an expert in this whole area here, because when it comes to drafting legislation, Mr. Manasco, and that sort of thing, I am sure you would need advice from persons whose experience has been in this area for many years,

built on thought and study in this area. I do not profess to be that kind of a person.

The CHAIRMAN. I am just trying to find out if anyone agrees we can forecast a year of 18 months ahead what is going to happen with any degree of accuracy before we undertake to underwrite unemployment.

Mr. MARSTON. I am very much interested in that question. I would like to hear it propounded by competent people.

The CHAIRMAN. Do you know of any competent people in the country? We have been seeking them as witnesses.

Mr. MARSTON. Would some of our economists, some of the people in management, some of the people who have been leaders in the field of labor, be most competent to answer that? I don't know.

The CHAIRMAN. They are as far apart as the poles. We want to get somebody who has the answer. We haven't been able to find them yet.

Mr. MARSTON. I wish sincerely I could give it to you, but I wouldn't trust my judgment on it.

The CHAIRMAN. I won't ask any more questions. Dr. Judd?

Mr. JUDD. I notice you say that "Congress helped the situation by authorizing the RFC to lend school authorities up to \$75,000,000." Do you know if that was repaid?

Mr. MARSTON. I am not sure. I think it was not.

Mr. JUDD. In essence, then, it amounted to a grant?

Mr. MARSTON. There was one outright grant. I have forgotten what it amounted to, but it ran into some millions of dollars. I recall in the school system which I headed we received some money at that time.

Mr. JUDD. Over on page 4 you speak of these nearly 1,000,000 additional jobs which are needed. I am sure we all agree that if the educational system is to make its maximum contribution, optimum contribution, it will be desirable; but where would you suggest we get the money for these almost a million jobs—from further grants by the RFC, or higher taxes, or what other source of revenue should be investigated?

Mr. MARSTON. If I understand the import of this legislation—if the employments, so far as they can be foreseen, of private enterprise, are not adequate to take up the slack in labor, then the President in his Budget would build on the assumption that perhaps through some encouragement local and State governments might be able to do more, and if local and State governments could not do more, then there would probably be some kind of a program of financing by the Federal Government. Now, you know so well, Dr. Judd, this whole area in which there is interest at this time with respect to Federal support of education. I am trying to think in terms of the broad structure of the program outlined here, so it would seem to me that fiscal policies would be found in the recommendation of the President as he would submit it to Congress.

Mr. JUDD. You don't have any suggestion as to what the source of revenue for the 1,000,000 extra jobs would be?

Mr. MARSTON. No; it would have to come, of course, through local, State, and Federal Governments.

Mr. JUDD. But you don't have any suggestion, such as increased property taxes or increased State income taxes?

Mr. MARSTON. When the time arrives when those conditions exist, I think then we would be specifically interested in the questions you raise.

Mr. JUDD. Do you think that, if other sources of revenue were not found, and we had to resort, as we apparently did back there, to the RFC, or some other governmental agency, lending more money to pay these additional salaries—which loan, as you said, was not repaid, so apparently it was just a grant and that means an increase in the national debt—do you think there could then come a point where America would not be economically secure, and your premise on the first page, “To be politically and morally strong America must also be economically secure” would be defeated? Because if the debt goes up too high, America won't be economically secure, will it?

Mr. MARSTON. We will need to find some way to throw, over a long period of years, our budgetary program into some state of balance.

Mr. JUDD. But you don't have any concrete suggestion as to where we can get the money for these additional jobs without endangering our national security?

Mr. MARSTON. Dr. Judd, it occurs to me that even should the Congress enact this legislation, we must face this situation, which to me is important, when it arises. I doubt if we will face this situation for 3 years, 5 years—I have no idea when. It seems to me that the condition of our tax structure at that time would certainly determine the source of revenue to operate the kind of program suggested in the pending legislation.

Mr. JUDD. Yes; but this bill is a bill in perpetuity. There is no provision that after 5 years the bill expires and we will reexamine it. Some people think it means we are making a commitment for 10 or 20 years from now, when we have no idea what the state of the United States Treasury will be.

Mr. MARSTON. That is right, but even if it were to begin to operate next year, it would be impossible next year to predict the tax program, it seems to me, say for the fifth year thereafter, or the tenth year thereafter. Frankly, I haven't gone into this matter of seeing where the revenues, should additional employments be made in public education, would come from. Under the provisions of the bill, as I understand it, they can come from local sources, they can come from State sources, they can come from Federal sources, or from a combination of any two or any three of them, depending upon what the recommendations would be in the President's Budget, and upon production and employment demands.

Mr. JUDD. Then you are about where the rest of us are. We all want this thing, we know it is essential and imperative and beneficial but nobody yet has been able to answer the question we ourselves have been trying to answer, as to how we are to do it.

Mr. MARSTON. It would seem to me, and I don't know whether I am competent to labor the point with you, that what we are saving here, Congressman Judd, could be said about the levies that will have to be made for the payment of the public debt 10 years hence. We don't know exactly now what kind of levies they will be, or upon what kind of objects they will be laid, or anything of that kind, and it seems to

me equally impossible today to be sure we would raise money in this kind of a way, or that kind of a way, or some other kind of way for this program.

Mr. JUDD. But do you think we ought to make out a blank check? This legislation in some respects is a blank check. Do you think it is wise, even if we had a credit balance in our Treasury, to make out a blank check when we don't know for sure where we can get the revenue to pay the check? It may be we will never need any money from the Federal Treasury under this bill. But it also may be that we will need enormous sums. For instance, in the past we have adjusted our expenditures to what our income was, to some degree—we could cut down the Army a little bit, or we could cut down Federal works somewhat, but here we make a commitment that no matter what the state of our Treasury is, we are going to give everybody jobs if private industry doesn't take care of it.

Mr. MARSTON. I ask you to correct me if I am in error on this point. My understanding of the bill is that it simply authorizes the President to make a recommendation in the form of a budget to Congress.

Mr. JUDD. That is right, but Congress—

Mr. MARSTON. Which Congress—am I correct in this?—which Congress may throw out the window or amend or do with as it sees fit. Am I right in that?

Mr. JUDD. Yes; except that here we make a pledge, and most of us don't like to go back on our pledges. Here in the bill we pledge ourselves—

To the extent that continuing full employment cannot otherwise be achieved, it is further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment.

You don't want, as your Members of Congress, men who will make a pledge and then not make good on it, do you?

Mr. MARSTON. No; but you still are aspiring.

Mr. JUDD. Oh, we are aspiring, no question about that. But that is different from making a commitment when we don't know what the state of our finances will be. I am not trying to embarrass you; I am asking for help, because, if anybody can show me for sure, I am for it. But I just don't see how I can make a commitment now for a new house or a new automobile 10 years hence when I don't know what the state of the Judd finances are going to be at that time. I am going to aspire to it. There is no question about that. I just wondered if you had any concrete suggestions to help us. I am sorry you don't. None of the witnesses has had so far.

Mr. WHITTINGTON. Doctor, as a representative of the National Education Association, and personally, you stated you were interested in the problems of employment and unemployment. That is correct, isn't it?

Mr. MARSTON. That is right.

Mr. WHITTINGTON. Well, I think you will agree that most thoughtful citizens are interested in those problems, aren't they?

Mr. MARSTON. I think so.

Mr. WHITTINGTON. Your association hasn't any peculiar views with respect to that.

Mr. MARSTON. No.

Mr. WHITTINGTON. Unemployment conditions, as you have correctly stated, affect adversely the school systems of the country. That is right, isn't it?

Mr. MARSTON. Yes.

Mr. WHITTINGTON. They certainly adversely affect industry, they certainly adversely affect agriculture. And you have stated that your association stands for progress in education. Thoughtful citizens generally stand for that progress, don't they? Your association hasn't any peculiar attitude in that regard?

Mr. MARSTON. We appreciate that, and I am thankful it is true, Mr. Congressman.

Mr. WHITTINGTON. Yes; and ordinarily when people are employed school attendance is better, as you have stated, and if there is widespread employment there would be more opportunity for both the schools and the school teachers. You have taken advantage of the situation that we have here to emphasize those views; is that correct?

Mr. MARSTON. Yes, sir.

Mr. WHITTINGTON. You state you do not advocate this bill or any other specific legislation for the solution of these problems. That is a fair statement, isn't it?

Mr. MARSTON. Yes, sir; that is fair, Mr. Congressman.

Mr. WHITTINGTON. Well, now, that is what we are here for. I think this committee can be trusted to have the common view, and what the real educators of the land could do would be to assist us to stick to our text, and assist us to determine one thing, and one thing alone, and that is whether or not the passage of this bill would promote the worth-while objectives that we have outlined, and you say you are utterly unable to be of any assistance in that regard. Is that correct, or not?

Mr. MARSTON. I don't believe that is correct.

Mr. WHITTINGTON. What assistance have you rendered thus far in your statement to us with respect to the merits of this particular bill? What do you figure now are the contributions you have made to enable us to legislate?

Mr. MARSTON. What have—

Mr. WHITTINGTON. Wait a minute, now. What contribution have you made to enable us to take sections 1, 2, 3, 4, 5, 6, 7, and 8 of this bill, and determine whether or not this bill or any of its provisions will do to promote the worth-while objectives that you favor and that this bill undertakes to promote?

Mr. MARSTON. Mr. Congressman, what we have attempted to do is to bring out to you the thoughts, as we understand it, of the teachers of this country to the effect that this whole question of employment and unemployment, as you have so well said, plays an important part in the life of the school children of this country, and the kind of education that they get. The broad principle for which we stand is that we do all we can in this country, and that the Congress, which we know is seriously concerned do—

Mr. WHITTINGTON. Now, then, pardon me. I would like to have an answer to my question. Then you may make any explanation you desire. Pardon me; I don't mean to be anything but helpful in my questions, but that is exactly why I find fault with so many worthy organizations; they take advantage of every opportunity in the con-

sideration of every kind of legislation to promote their objectives, when, in truth and in fact, those organizations, in my humble judgment, should be of material assistance to the representatives of the people, the members of committees, by sticking to the text and submitting views that would be helpful and constructive in the particular field under consideration. I think it is wrong policy for any association, whether it be ministerial, or educational, or any other association, no matter how worthy its general objectives are, to take advantage of every occasion whether their remarks or whether their testimony is helpful or not, or constructive or not, in order to promote their objectives, when this committee, and other committees have specific legislation and need and invite assistance and constructive suggestions and recommendations that stick to the text of the bill under consideration. Now, what, I repeat, do you suggest here as to the adoption of the specific measure we have under consideration. Give us one concrete provision of this bill that will promote your objectives.

Mr. MARSTON. Mr. Congressman, I submit that the statement I have made is in sympathy with the broad purposes of this type of legislation. We haven't come to you as experts in drafting legislation in this area at all, and we have simply come to you and indicated to you the kind of thinking we have in our minds in relation to these three points which I have presented in my testimony.

Mr. WHITTINGTON. Now, with all deference to you, personally, I want to inflict my personal views: I have been interested in education all through the years. That is aside from the point. I am interested in the right kind of education. We have just fought the greatest of all wars with the best educated people in human history, from the top to the bottom when it comes to education, and much of our effort in this country, with all deference, I think, with respect to education, could be devoted not to appearing before Congress, not to asking Congress either directly or indirectly for contributions or appropriations here and there, but more nearly and directly to the improvement of our type of education, our character of education; and here is what I say now, with all due deference—and I want to be helpful. I am interested in education. When you and other organizations that represent interests here in Washington appear on every type of legislation to promote your objectives, I cannot help but see that in this particular bill the feature of this bill that provides for Federal contributions, Federal support, is the view that your association has in mind. And, frankly, I think that too much of that will defeat our independence, our initiative, and the sort of free enterprise I think we ought to provide. That is what I think about these generalized statements. This is the purpose of my question: Give us one concrete provision in this bill that, in your judgment, will promote your objectives.

Mr. MARSTON. We have spoken, Mr. Congressman, to the general principles that are written into this legislation, and to the general objectives that are stated here. This legislation is in the hands of a committee composed of very able and distinguished citizens of this country. We know that employment helps and that unemployment hurts the children of this country, and it hurts them terribly. That is simply the basic viewpoint that the National Education Association is expressing, and it is true. We believe that education itself, as we can improve the quality of education in this country, can increase produc-

tive capacity. We will increase employment. I have said that. And the third point that I have tried to make is that education could employ, could utilize twice as many people as we now employ and do it in strict observance of the principle of sound investment of public revenue.

Mr. WHITTINGTON. I think you have repeated that statement several times.

Mr. MARSTON. That was not—

Mr. WHITTINGTON. That is not what we have under consideration. We have the provisions of the bill here, and I ask you again, and then you can repeat the statement that you repeated a number of times here—I want to be patient, but I ask you to give the concrete provision of this bill, any one of the provisions of this bill that, in your judgment, will promote the objectives you have repeated time after time.

Mr. MARSTON. I think the general result, Mr. Congressman, of these first pages of the pending bill would lend themselves to the achievement of objectives of that kind. How far you can go, I am not competent to say.

Mr. WHITTINGTON. All right. What is the concrete proposal now, that you say, if this bill were passed, would promote your objectives?

Mr. MARSTON. Well, now, page 2—

Mr. WHITTINGTON. You just name it. That is what I asked you to do. Then I will take it up with you.

Mr. MARSTON. We have attempted, Mr. Congressman, to couch the statement in terms of general support of the objectives and principles underlying this legislation.

Mr. WHITTINGTON. Now, generalizations like that may do more harm than good. Let us see, concretely. So far as education in this country is concerned, and dealing with the matter of unemployment, there are now calls, generally, from one end of the land to the other for teachers, and unemployment in the teaching profession you speak for is less now than at almost any period in our history; isn't that true?

Mr. MARSTON. I don't understand—

Mr. WHITTINGTON. Isn't there widespread need for additional employment? There is no such thing as unemployment among teachers now; is there?

Mr. MARSTON. No.

Mr. WHITTINGTON. So that you come here and ask us for legislation, and you are unable to point out any concrete instance that will help us. That might well do more harm than good at a time when the institution you represent has less unemployment than at any other period. And whatever you say about the various provisions that Congress has made with respect to education, the fact remains that during this war, in our efforts to promote education, there have been fewer universities and fewer colleges and schools closed than during any other major war in our history; isn't that true?

Mr. MARSTON. I wouldn't be able to say on that. But we have had a good many closed. For example, in October 1944 we had 10,000 classrooms without teachers.

Mr. WHITTINGTON. That wasn't because the provisions were not here for that teaching. A lot of us haven't had crops, and a lot of us haven't produced goods, because we couldn't get employees. But I am talking about so far as furnishing the facilities.

Mr. MARSTON. As I understand it, there would have been no occasion for investment in employment under conditions such as you are stating.

Mr. WHITTINGTON. If that be true, if there is no unemployment among the teachers, then this bill is largely psychological. Might not education, real education, be done more damage by the passage of a bill that would undertake to hold out to everybody that the Government is going to provide for them, and that they needn't bother about trying to get a job, they needn't bother about seeking a position, because the Government is going to look after them? That is what bothers me about this type of legislation, when neither you nor any other witness who has preceded you thus far has put his finger on a single provision in this bill that will really provide for employment, and I am bothered about the psychological effect of making our boys and our girls in our schools and colleges, and our citizens generally, more dependent upon their Government, whereas the right sort of education ought to promote self-reliance. That is what bothers me. If you have something here that can show me something constructive that won't result in that, I would like to see it. I mean show me something in this bill, not by urging the objectives you have already stated.

Mr. MARSTON. I suspect that I have completed my statement on that point, Mr. Congressman.

Mr. WHITTINGTON. I rather suspect you have repeated it enough, because, frankly, you have not been able to answer our questions. That is all.

The CHAIRMAN. Mr. Rich.

Mr. RICH. Mr. Marston, have you in the educational system of the country, so far as you know, a great many more jobs today than you have teachers?

Mr. MARSTON. It depends on how we define the word "teachers." We have, so far as we know, most of our classrooms with people in them. We have, Congressman Rich, today, or at last year we had 1 teacher out of 10 in our classrooms with a substandard certificate. That means that they were people who could not qualify for any kind of certificate which is normally issued by the State departments of education, or other certificate-issuing agencies in the States; as contrasted with that, in 1941, in pre-Pearl Harbor days, we had 1 such teacher in 200.

Mr. RICH. I am speaking more particularly to this: You have a greater demand for teachers in the classrooms today than you have teachers?

Mr. MARSTON. That is right; qualified teachers.

Mr. RICH. Qualified teachers.

Mr. MARSTON. Oh, yes; most decidedly.

Mr. RICH. So that this bill, so far as creating any demand for aid and assistance toward having teachers get jobs, is not necessary, because you have more jobs than you have teachers.

Mr. MARSTON. At this time, that certainly is true.

Mr. RICH. Yes; that is true.

Mr. MARSTON. Yes.

Mr. RICH. Now, on page 4 of your report you say that you want to create jobs for 1,600,000 additional teachers.

Mr. MARSTON. I am stating that, Mr. Congressman, as what we could use well to the advantage of the general welfare.

Mr. RICH. Well, you are asking now that we pass something in order that we might create 1,600,000 jobs in the teaching field; is that correct?

Mr. MARSTON. We certainly could use them, Mr. Congressman.

Mr. RICH. Well, now, you say you have more jobs than you have teachers, yet you want to create 1,600,000 more jobs. What is the objective in that?

Mr. MARSTON. The objective in that is that we have several million youth not now in school—it may run as high as 4 or 5 million; we haven't had a census in the last 3 years. We do know that in 1940 there were some 2 million children not in school, and we know the number has increased since that time, and if we were to bring into the schools the children who ought to be in school, getting an education, that would take more teachers; it would require more maintenance people; if we were to give to American youth the kind of vocational education they ought to have, it would require more teachers, more other employees.

Mr. RICH. We are developing that vocational education quite substantially in the country now, are we not.

Mr. MARSTON. We have a program. But you understand that in most of the communities of this Nation there are—or in literally thousands of them, where there ought to be vocational opportunities, and where there ought to be improvements of other kinds in the educational program, we just don't have them.

Mr. RICH. You are thinking, then, of a great expansion in the educational field?

Mr. MARSTON. Yes, sir; and I am thinking of this in relation to unemployment, and the ability or the capacity of education to help to offset unemployment, by employing people for the instruction of youth and causing them to serve the youth, either in ways that they are not being served now, or through new courses of study, or through other desirable ways.

Mr. RICH. I think, with that qualification, we ought to develop in the educational field anything and everything that will give our people greater education. I quite agree with that. But I also would like to know this: Have we tried to develop that field? You speak in your discourse here about getting Federal aid for education. Now, if you received Federal aid to put this program into effect, to secure 1,600,000 jobs, how much do you think it will require from the Federal Government to do that?

Mr. MARSTON. Mr. Congressman, I don't think there is anybody in the world that could give you a good estimate on that at this time. We have approximately 1,000,000 school employees now. It would take about 800,000 more, as I recall the figures. It may be that State and local governments in undertaking a program of this kind, which would have the dual purpose, let us say, of providing employment, and at the same time improving the educational opportunities of the youth of the Nation, could carry the full cost, maybe they couldn't. Now, if they could carry the bill, of course the Federal Government wouldn't have any additional investment to make. If they couldn't carry the bill, the Federal Government might have some additional

investment to make, but whether it would be 10 percent, 20 percent, 50 percent, or what it might be, I have no way of knowing.

Mr. RICH. Let me ask you this, then; are you interested in what we term states' rights?

Mr. MARSTON. Decidedly.

Mr. RICH. And you are interested in private industry?

Mr. MARSTON. Decidedly.

Mr. RICH. If we were to have the Federal Government go into the educational system of our Nation, wouldn't we be putting the Federal Government into something that is going to interfere with the rights of the States?

Mr. MARSTON. Not necessarily.

Mr. RICH. It has been, though, in everything you let the Federal Government go into, the Federal Government wants to control it, and then you have a centralized form of government. Do we not?

Mr. MARSTON. Mr. Congressman, we are in an area now where much can be said. I am interested in it from the historical viewpoint. We have had Federal aid in our land-grant colleges since 1862, and I suspect a study of the operation of those institutions since that time would reveal that there has been, on the educational aspects of the program, little, if any, Federal control, and little, if any State surrender of rights to the control of its people. I have listed at my office some 140 Federal-aid-to-education bills which Congress has enacted since 1802; some of them are land-grant bills, and some of them are outright money grants, and some of them are what we call subventions, annually recurring grants from year to year. In the vast majority of those grants there has been no Federal control.

Mr. RICH. All these land-grant colleges were for the purpose of educating the boys and girls to go out into the farm industry, to aid and assist agriculture and, naturally, when you are doing that, you are aiding and assisting to raise produce for the benefit of the general public, and those institutions have all been under the direct supervision of the States, so that there is no opportunity, really, under the land-grant colleges, as I see it, to get the Federal Government into them. But I am sure if we were to establish a system whereby the Federal Government was going to make great grants to State educational systems that we would get politics into our educational system, and, when you get politics into education I think you are in bad shape.

Mr. MARSTON. I certainly agree with you that we ought to be very watchful on that point. But I can say this: On the basis of a historical review of the area, there is Federal control only when it is written into the law. Many of the laws haven't any Federal control written in them; some of them have had some; some have had a lot. That is purely a matter for congressional determination.

Mr. RICH. I would just like to ask you—on page 3 of the bill, subsection (e), it says:

To the extent that continuing employment cannot otherwise be achieved it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment.

This is in relation to the proposal or suggestion that was made here a while ago by Dr. Judd. If we would adopt this bill, and then we would obligate ourselves to carry it out, can you tell us, as an educator,

what far-reaching obligations we might have in order to carry that out?

Mr. MARSTON. I don't know. Your distinguished colleague was telling me that not any of the people who have appeared here, particularly myself, have added anything concrete to the discussion. I can't answer a question of that kind. What would it involve, Mr. Congressman, what has it involved when unemployment in vast amounts has interested Congress?

Mr. RICH. It has been up in the billions of dollars. And we don't know, if it was billions of dollars then, what it will be in the future. We ought to have some knowledge of just how far we are supposed to go, rather than to have a general statement such as I read you, because when I tell you I am supposed to do a thing, I expect to do that thing, and you expect me to carry it out, don't you?

Mr. MARSTON. As nearly as it is humanly possible.

Mr. RICH. Now, I want to ask you this question, doctor; if your house was on fire, and you were in the house with your family, the first thing you would do would be to try to put the fire out, if that were possible, wouldn't you?

Mr. MARSTON. Naturally.

Mr. RICH. All right. Now, we sit here, you as an educator, and we as Members of Congress, trying to debate and reason and argue as to how we can create all the jobs that are necessary to put everybody in this country to work; do we not?

Mr. MARSTON. Yes.

Mr. RICH. Now we have the oil industry striking, which has put thousands of men out of work, and it is reflecting back to where it will put a lot of private industry out of work, because they can't get orders. We have the automobile industry in Detroit, with 800,000 men in the industry affected, and it affects also the industries vitally dependent upon the automobile industry. We have 15,000 strikers in the elevators in New York, and this morning's paper says that because of these elevator strikes there are 1,850,000 men put out of work. Yet we sit here in committee trying to find other jobs for the Americans when there are millions of jobs waiting for the men right now to come to work at. Don't you think, as an educator, that this committee and the Members of Congress ought to go over on the floor of the House and do something to try to keep the people who want to work on their jobs, so that they can work and support their families and support this Government? What comment would you have on a situation of that kind?

Mr. MARSTON. Well, certainly, if I understand this legislation correctly, it is a job opportunity program that is in mind. Those opportunities are there, aren't they?

Mr. RICH. Those jobs are there waiting for Americans to take them.

Mr. MARSTON. There is no obligation to create a new job to replace each one of these jobs affected in that manner, according to my understanding.

Mr. RICH. No; but don't you think that we, as the Expenditures in Executive Departments Committee, sitting here talking about other jobs, are wasting our time, when we ought to be over on the floor of the House trying to do something to permit these men who are now out on strike and the men who want to work, to work? Don't you think that ought to be the way we put the fire out that is in the Government now, if we are going to save America?

Mr. MARSTON. It isn't possible for a man to strike from a job he doesn't have, and it seems to me the two situations are not analagous.

Mr. RICH. No; but I am speaking to you now as an educator, and as a sensible man, asking you the question whether we ought to spend our time in trying to develop more jobs when we have the thousands of jobs in the country going begging; and whether we ought not be giving our time to trying to get those strikes settled and get the men back to work where we already now have the jobs in private industry. Because you said you were for private industry, and if that is the case, don't you think we ought to do that?

Mr. MARSTON. Yes; I think we ought to do all we can to keep the jobs in motion all the way through.

Mr. RICH. Then it seems to me the most appropriate thing we can do here, on the advice and counsel of an educator, Mr. Marston, would be to adjourn this committee and all of us put our very best efforts into trying to have the Members of Congress do something to alleviate the situation that is now confronting us. Our house is on fire; we are burning up, and we ought to go ahead and put the fire out.

Mr. MARSTON. Mr. Chairman, I would like the record to show that I greatly respect the views of the distinguished gentleman, but my interpretation is not the same.

The CHAIRMAN. If Mr. Rich will permit this observation; as I understand the bill, if the million and a half people he refers to who are not on strike, but who are locked out because of the strike, if this bill became law, it would be our obligation to provide jobs for that million and a half who are not on strike. A million and a half garment workers and storekeepers, and so forth, affected by the 15,000 elevator operators who are on strike, are locked out. They are not on strike.

Mr. MARSTON. Aren't those questions which you are raising, Mr. Chairman, questions which the President and the Congress would need to consider in relation to the development of an employment-production budget, and the steps to be taken in respect to that situation?

The CHAIRMAN. Of course, I don't think the President could anticipate a strike in October of the next year of 15,000 elevator operators that would affect a million and a half people. I think that is very important in the consideration of legislation of this type.

Mr. MARSTON. Is that, Mr. Chairman, an integral element in this structure here?

The CHAIRMAN. Yes, sir; it is. If I understand the bill correctly, we are to provide employment for every person who wants to work and is able to work.

Mr. MARSTON. My impression is—of course, you are working with the bill and know more about it than I do—my impression of the bill is that it is a bill for such situations as that which occurred in this country a few years prior to the war.

The CHAIRMAN. Of course, a million and a half people unemployed is a huge unemployment figure. Or would you set the figure at 6,000,000 and say that unless there are 6,000,000 unemployed the machinery would not go into effect?

Mr. MARSTON. I don't know. We are aspiring again; I suppose to get as many people as want to work jobs at which they can work.

Mr. LATHAM. Doctor, do you subscribe to the statement made by Mr. Patman, who wrote this bill, that this bill would not result in

deficit spending, but, in fact, would help pay off the debt of \$265,000,000,000?

Mr. MARSTON. I don't see how we can pay the debt unless our people are employed.

Mr. LATHAM. Do you feel the passage of this bill will help pay off the debt of \$265,000,000,000, as stated by Mr. Patman, and would not result in deficit spending?

Mr. MARSTON. I am not an expert in this area, Mr. Congressman. I think there is a possibility of operating the program of keeping people employed, and serving the general welfare—

Mr. LATHAM. Of course, but that was not my question. My question was, Do you think that this will result in a continuation of deficit spending?

Mr. MARSTON. I don't think it would necessarily do so.

Mr. LATHAM. Well, suppose we had a period of unemployment—and that is what this bill is supposed to be aimed at—and suppose, after we did all of the things which are supposed to be done to create jobs under this bill, stimulate private industry, and so on; then let us assume we had 5,000,000 people unemployed. The program is not to give relief or a dole, but give real working jobs; is that right?

Mr. MARSTON. Yes, sir.

Mr. LATHAM. Then you would have to pay a man a fair wage for that Federal public work. What would you say would be a fair wage, about \$2,000 a year?

Mr. MARSTON. Wouldn't that be determined by the labor market at that time?

Mr. LATHAM. Yes; but let us take an average figure. Two thousand dollars certainly wouldn't be too much for a real job?

Mr. MARSTON. I certainly wouldn't think so. Although it is a great deal more than teachers are getting on the average.

Mr. LATHAM. All right; let us assume we have 5 million unemployed; 5 million times \$2,000 would make \$10,000,000,000. Where would we get that \$10,000,000,000?

Mr. MARSTON. That is a question we would face when it arises. We don't project the tax program 20 years from now upon some kind of a plan we set up today, do we?

Mr. LATHAM. Where would you suggest we get it?

Mr. MARSTON. We would necessarily get it from local, State, and Federal Governments wouldn't we?

Mr. LATHAM. Taxes?

Mr. MARSTON. I should think so.

Mr. LATHAM. Wouldn't an increase in taxation be a detriment to employment? Wouldn't heavier taxes discourage risk capital, if we are going to stick to the free enterprise system?

Mr. MARSTON. In point of deficit spending, under a broad program of this kind, we might have 5 years when there would be no deficit spending, when there would be no budget at all.

Mr. LATHAM. That is not what I mean.

Mr. MARSTON. Then in another year, where the problem was so huge, we would necessarily have deficit spending. I am thinking in terms of a broad sweep of a decade or two decades. I think over a period of time there wouldn't be any deficit spending.

Mr. LATHAM. But this bill is aimed at a period of depression, when you have unemployment. If you had \$10,000,000,000 added to that

year's budget you would have to raise it from somewhere, wouldn't you? You would have to raise it from taxes, and an increase in the tax rate would certainly be discouraging to risk capital to step out and create new jobs, would it not?

Mr. MARSTON. There wouldn't be as much of it for that purpose, certainly.

Mr. LATHAM. Wouldn't that further increase the unemployment and put more people on the public pay roll? Wouldn't that be just like a snowball rolling downhill, with more and more people going on the public pay roll and fewer and fewer people being employed by private enterprise?

Mr. MARSTON. Of course, that is what we face anyway when it comes on. Whatever the condition is, we have to meet it.

Mr. LATHAM. I don't concede that is so.

Mr. MARSTON. You don't think so?

Mr. LATHAM. No.

Mr. ERVIN. I would like to ask you a question, doctor. This is my first year here, and I haven't had much experience in studying a great many important problems, but there is one problem to which you may have devoted right much attention and I would like to have your answer to it. I have heard many proposals in recent years for the expenditure of money, and I would like to hear suggestions from someone about how to pay off the public debt, if you care to make a suggestion along that line.

Mr. MARSTON. Mr. Congressman, we can't pay it off if the people are not employed.

Mr. ERVIN. You are telling me how it can't be done; I am asking you how it can be done.

Mr. MARSTON. Isn't this one of the reconversion proposals before Congress that has for its purpose the development of an economic plan that will, so far as possible, safeguard the payment of the public debt?

Mr. ERVIN. I am not the witness. If I were, I think I could give some mighty good testimony, but I am asking you now. Do you have any plan for paying off the public debt?

Mr. MARSTON. In the area of education, the best contribution we can make is better educational opportunities for children.

Mr. ERVIN. I am in favor of that, but that question is not involved right now.

Mr. MARSTON. And in my field, to which I am trying to limit my discussion, that is the answer on which I would like to stand.

Mr. ERVIN. Well, your idea, then, is to educate the people.

Mr. MARSTON. That is the contribution that the National Education Association would make to this.

Mr. ERVIN. You think that is the best way?

Mr. MARSTON. I think that is one of the best ways.

Mr. ERVIN. I agree with you, and I think a lot of folks need education. But I don't think that has anything to do with this bill, do you?

Mr. MARSTON. I think so, yes.

The CHAIRMAN. Dr. Marston, we thank you very much.

Mr. MARSTON. Thank you, Mr. Chairman and gentlemen.

The CHAIRMAN. The next witness is Mr. Joseph P. Anderson, executive secretary of the American Association of Social Workers. Mr. Anderson, do you have a prepared statement?

Mr. ANDERSON. Yes; I am sorry I don't have copies for the members of the committee. I would like to read from that.

I would like to say that I am glad to have this opportunity to come and meet with this committee. I represent an association of workers in our social agencies, the professional social workers. We have about 10,500 members in all sections of the country, organized in local chapters, and I am the executive secretary. We maintain a national office at 130 East Twenty-second Street, New York City.

I am glad to have a chance to come and meet with you, because we think we know a little bit about what the effects of depression are on employment. I don't want to take too much time to dwell on that, because I am sure you know it, too. But it is because we know what it does to people that we think something ought to be done, and we think that this legislation, the measure which was introduced in the House, and the measure which has been introduced in the Senate, points the way to some things that can be done.

With your permission I would like to read from this statement, which first indicates the official position that we have taken. It makes some general observations on the importance of employment, some reasons why we think this specific legislation will help, based on that philosophy, and then, finally, some specific proposals which will have to follow this legislation, because this legislation, as we understand it, will not result in full employment.

The CHAIRMAN. In other words, you don't think that this legislation in itself will give a job to anyone, do you?

Mr. ANDERSON. No.

The CHAIRMAN. Except to some additional Government employees making studies and gathering statistics.

Mr. ANDERSON. That is right, and it will give some work to the Congressmen who are going to serve on the committee set-up.

The CHAIRMAN. They already have work.

Mr. RICH. You have read this bill and studied it?

Mr. ANDERSON. Yes, sir; I have read it. I have read the Senate bill, and now the present H. R. 2202.

The CHAIRMAN. But you agree the bill will not give any additional jobs to unemployed people?

Mr. ANDERSON. I can't see that the provisions of this bill will result in a specific program of employment for people; no. I can't see that.

Mr. JUDD. Do you think it commits the Congress to legislation which will make such specific provision?

Mr. ANDERSON. I do.

The CHAIRMAN. You realize that one Congress cannot commit another Congress, don't you?

Mr. ANDERSON. Yes.

The CHAIRMAN. Any legislation that we may pass today, committing us, can be undone by the next Congress.

Mr. ANDERSON. That is right.

The CHAIRMAN. So, after all, we are going up hill and down with this bill, if it doesn't provide any employment for the people.

Mr. ANDERSON. I don't think that is quite true. Let me, if I may, say these things, and then I will be very glad to answer any questions.

Work under wholesome conditions and at wages sufficient to assure maintenance for the worker and his normal dependents should be available to all. Federal Government has the responsibility for the

initiation of such social and economic planning as may be needed to assure for the United States the highest possible level of employment.

To the degree that private industry cannot provide such opportunities, Government should provide them.

Work under public auspices should be provided to employ as many persons as can be absorbed in socially useful projects which utilize the skills and abilities of unemployed persons. Such employment should be available to an unemployed person for such periods of time as appropriate work in private enterprise is unavailable to him. Wholesome conditions and protections should be assured for workers on public projects. Payment for work done on public projects should be the union of scale of wages, where such scales have been developed, and should not fall below the minimum standards set by law for the protection of private employment.

Tests of individual needs other than evidence of lack of other employment opportunities are inconsistent with the concept of work outlined above. A work program should be distinct and separate from a program for relief.

A work program is not in itself a training program and should be distinguished from necessary efforts in this direction. Therefore, public projects for young persons and those occupationally displaced should be primarily directed to promote training or retraining in suitable occupations.

It is at last recognized that world security and peace depend on full use of all resources of manpower and productive capacity. Whether the goal is stated in terms of 60,000,000 jobs, purchasing power to sustain profits, or a rising standard of living, there is a swelling chorus of hope and faith that the world will never again allow itself to lapse into periodic depressions. If this is to be achieved, the business of work must be regarded as it has been during the war—as a dedication to high purposes. The supply of work must continue to surpass the supply of workers.

Social workers of necessity hold certain beliefs about employment, and from them proceed to specific proposals. Some of these convictions may be stated as follows:

1. The need for labor is limited only by the world's need for goods and services.

The total need for workers is no longer unpredictable. It is not an irrational factor influenced by "world markets," "prices," or "enterprise." The need for workers can be gaged by the world's need for goods and services to supply the constantly rising standards of living for the earth's population. This approach, supported by developing international programs of finance, food supply, and cooperation for peace, will require all the effort that the world's working population can supply for generations to come.

2. Work must be satisfying and provide a decent living.

Employment, even if it occupies a worker's full time, does not meet his requirement unless it provides wages that will purchase a decent living and uses the worker's skill.

3. Mobility of labor and retraining must be assured.

If the number of available jobs does not match the available skills, or if the jobs are in one place and the workers who could best fill them

are elsewhere, freedom of choice can be assured only if it is made possible for workers to move from place to place with responsible guidance and without force or to secure appropriate retraining for available tasks.

4. There need be no involuntary unemployment in a free society.

Full employment does not mean a regimented labor force in which every person is somehow employed at every moment. Full employment is consistent with free choice of job and mobility of labor. It means distinguishing between enough jobs to employ all who can work at suitable occupations and the maintenance of a "labor reserve" that tends to force down wages. If workers are to be free to choose jobs and employers to choose workers, there will be periods when individuals will be "in the market." These periods should be short and the income loss they represent should be compensated so that no worker is forced into unsuitable work.

Social workers have their special reasons for thinking about employment in this way. Their experience teaches them that men work because of an inner need to create and achieve. They are not afraid that the removal of the driving threat of hunger will result in a growing "rocking-chair brigade" who will rest while others labor for them, thus leaving the work of the world undone or in need of excessive effort from a few willing hands.

Social workers have seen more of determined work habits than any other single profession, and they know that such deterioration, whether it be characterized as laziness, inefficiency, clock watching, or plain cussedness, has its roots either in social or personal maladjustment. Unsatisfying work, work that is too hard, hours that are too long, returns that do not even provide for decent subsistence—these are the enemies of production and not natural sloth. Everyone is lazy sometimes. No healthy person is lazy all the time.

The removal of the deterrent aspects of work, the assurance of a decent living, and of really free choice would release resources of personal energy and effort such as the world has never known. The war and its tasks, hideous, repetitive, and immediately unrewarding, should have proved to the world what social workers know—that no work is so inherently distasteful but that, if necessary, it will be done, not by compulsion but by common consent. Even the compulsions we invoked in war have been measures of economy and speed, and they could not have been invoked in a democracy without common consent. The War Department made available a pamphlet on "Will There Be Work for All?" called GI Roundtable EM-22. Addressing men in service, it says in part:

Unemployment does nobody any good. Next to war, it is the most appalling kind of waste in modern human relations. Ironically, war does away with it more quickly than anything else—but less permanently.

One thing we have learned: Mass joblessness is not inevitable. We have come to understand that employment rises and falls not in accord with some supernatural law but in response to human decisions, purposes, and activities. What has happened in the course of our wartime effort to defeat a common enemy ought not to be impossible to achieve in a peacetime effort to make a common living. If we can put forth the same effort and imagination toward preserving peace that we have put into the making of war, abundant employment will reward us.

Employment thus became not an end in itself but a result of larger and more compelling purposes. Whether it develops to the full will depend, it would seem, on two things—(1) what kind of plans we make and what steps we take to put

them into effect; and (2) whether, as a nation, or a society of nations, we can muster as much determination to win a productive peace as we have mustered to produce victory in war.

Given this view of the relation of work to life, to what specific proposals do social workers subscribe? We suggest at least these:

1. Balance the human budget of the world as the basis for employment of human energy by making the total need for goods and services the yardstick for fiscal policy and world trade.

2. Release the resources of materials, invention, and management so as to satisfy at least the basic material requirements of living with less expenditure of effort.

3. Reduce the hours of work, raise the school-leaving age, and lower the retirement age as rapidly as possible.

4. Recognize the infinitely expanding role of services in total employment as of equal importance with the production of goods.

5. Promote joint planning by Government, industry, and labor to achieve a minimum of controls and a maximum of initiative.

6. Promote private and governmental services that will facilitate access to resources of natural and human power, such as new laboratories, agricultural methods, power dams, health, vocational, and social services.

7. Recognize the fact that differences in levels of living among different races, nations, or occupations are accidents of time, place, and the tempo of civilization and are not indications of the relative worth or importance in human society.

8. Develop a positive role for public work, not as a stopgap for unemployment, a pump primer, a yardstick, or a relief measure, but as a partner to private enterprise taking over those activities which can be more economically and safely performed under public auspices in the interest of the whole people, limited neither by geographic nor political boundaries.

We are convinced that once the spiral of unemployment has started, it is too late to plan constructively. Let us use our influence to keep production in line with peacetime needs as we have made it meet the needs of war. It can be done.

Mr. WHITTINGTON. Now, I suggest that you bring out what points you may have, after having put your statement in the record. We want to hear you.

Mr. ANDERSON. All right. The reason that we believe the Congress should take favorable action on this bill is because the alternative is doing nothing, waiting for an emergency to arise. With all due respect to the fact that committees of Congress and Congress itself is concerned on various aspects of this problem, we believe that it is the responsibility of the Federal Government. The Federal Government should assume a positive responsibility in working out a way to assure as high level of employment as possible. When we say as high level of employment as possible, we don't mean a regimented labor force or a job for everybody all the time.

Mr. CHURCH. You mean you are afraid of those terms as hurting your other phraseology; is that your point?

Mr. ANDERSON. What is that?

Mr. CHURCH. When you say you don't want a regimented-labor-force plan, or a job-for-everybody plan, are you afraid of those words

being used against your plan? Is that your point? You use one language one minute, then you use the adverse language another minute. What do you really mean we can do here now?

Mr. ANDERSON. I am saying that I am in favor of a free choice of jobs for each individual worker. I am also in favor of management having a free choice of workers.

The CHAIRMAN. You don't want that to stay in the record, do you? You wouldn't be in favor of an open shop, would you?

Mr. CHURCH. Do you want to guarantee an open shop by words in this bill?

Mr. ANDERSON. I don't think that is the question here for discussion.

Mr. CHURCH. Oh, yes; it is for discussion.

Mr. ANDERSON. I don't think the legislation—

Mr. CHURCH. That is the reason we want to get at what you mean by words here. We have here words in that bill that might prevent your having certain rights under the Constitution.

Mr. ANDERSON. I am afraid the people will interpret the words as they read them different from my interpretation.

Mr. CHURCH. Are you sure the Supreme Court—well, go ahead.

Mr. WHITTINGTON. Let the gentleman make his points.

Mr. ANDERSON. I would say, first of all, what this law would do is to say that we, the people of this country, through our Congress, agrees to do something by assuring as high level of full employment as possible.

Mr. CHURCH. We all want that.

Mr. ANDERSON. All right; do you agree that that is what is in this legislation? That is one of the first things it does.

Mr. WHITTINGTON. I don't see a thing in the world that provides that. I think that is what we have been trying to progress to all these years by the various legislation we have passed, public works of various kinds, by our tax system—and if it is wrong, we ought to improve it—by our aids to industry, by our aids to agriculture, aids to foreign trade, the Bretton Woods, and international agreements. I think you are exactly right; we ought to plan, and if you can improve any of these plans we have made, come across with suggestions.

The CHAIRMAN. I might add to that the breaking up of monopolies.

Mr. ANDERSON. The second thing provided in the legislation is that there would be set up the machinery in Congress, a joint committee from the two Houses, which is given specific jobs, and among those jobs is the collection of data.

The CHAIRMAN. Not the committee of Congress; that is to be done by the executive departments.

Mr. ANDERSON. All right, it will be submitted, then, to the committee.

Mr. CHURCH. You are referring to this special committee set up?

Mr. ANDERSON. That is right.

Mr. CHURCH. Not a permanent committee; a committee set up for the duration of each Congress.

Mr. ANDERSON. That is correct. What it will do is to provide a systematic way of supplying the Members of Congress, who have the responsibility for determining what legislation we need, with information.

Mr. CHURCH. Supplying opinions.

Mr. ANDERSON. Supplying information, I would say.

My feeling is that depressions are not like droughts or floods. I think that they are made as the result of decisions that people make. I don't know that we can ever perfect instruments to predict or to be able to forecast accurately just exactly what conditions will be, but I think we can, on the basis of data, make some predictions and make some projections as to what will be the condition in the automobile industry, what will be the condition in agriculture; we can also get information about what are the new developments, what is happening in plastics and in television, what is happening in the new industries. I think, too, by spotting what is happening, one of the specific things the Congress could do under this bill would be to give further encouragement to the inventiveness, the genius, the resourcefulness of the American people, American business, and industry, and try to develop more and different kinds of jobs. I feel that is one specific thing.

Mr. CHURCH. What Member of Congress would not favor the general proposition of encouraging resourcefulness and worth-while jobs?

Mr. ANDERSON. I say that through this bill that process is made more systematic. I think that is why it is good.

The CHAIRMAN. Of course, but don't you realize we are doing everything we can to limit the income an inventor might make on his invention by income taxes and so forth? We don't try to encourage inventiveness much now, do we?

Mr. ANDERSON. I think we do. You are not suggesting that we should abolish the income tax?

The CHAIRMAN. No, sir. I would like to see them lowered, but I don't think we can do it in our lifetime.

Mr. ANDERSON. I think that, after all, there are certain responsibilities that people see the Government should assume, that have to be paid for, and to do that we should work out the best tax program we can, and among that is a tax on income, which I am in favor of.

The CHAIRMAN. But as to this joint committee of the House and the Senate, you know, of course, that the chairman of these committees are probably the busiest men in the Congress. Do you think they would have the time to study this national budget and make recommendations to the other legislative committees? Take the Appropriations Committee, for instance. That is in session all the time.

Mr. ANDERSON. That is right, but I think this question is of such importance that we have to find time.

Mr. CHURCH. Find time to plan the economy; work out a plan of planned economy for our country. Is that your position?

Mr. ANDERSON. Well, to do such necessary planning, yes.

The CHAIRMAN. Would you advocate also the abolition of the seniority rule in the assignment of the committee? Because we have some chairmen on some of these committees that may not favor a planned economy.

Mr. ANDERSON. I think the rules of how Congress operates are things which Congress itself can best decide. I understand there has been a study of that. I wouldn't tell you how to run your business. I mean, if the abolition of the seniority rule is a good thing, then do that.

Mr. WHITTINGTON. I think you have just voiced what Congress and what the country has been trying to do through the years. Just take the first illustration you mentioned. If there is one thing we are pretty

well advised on it is the labor situation, the employment situation. We have the Labor Department, and have had through the years, which furnishes to the country and to us the statistics, and if there is one thing we know about pretty well now it is the employment situation. And we know, for instance, at the present time not only the present situation with respect to employment but we have the trends that they give us. Now, then, should we abolish the Labor Department and the work that has been done by it, and which it has been performing through the years, by undertaking to set up another agency to do that? And what I say about that department would apply to many other departments. And we have joint committees that have studied these matters. Anybody who comes in and makes the statement that Congress has never done anything about it is misadvised. Because everything you mention there has been provided for. We have tried to find new uses in agriculture, business is trying to find new uses and expansion. There is a belief in the country that we would supplant and abolish all that work if we can't have another committee to come in and look out for labor and employment.

Mr. ANDERSON. I didn't say so.

Mr. WHITTINGTON. Well, just don't say you don't think so, when you haven't told us about the work that has been and is being done along those lines. Don't just come in and say that that is desirable and leave the impression that the country has never had such provisions. That is just a contravention of the facts.

Mr. CHURCH. He said that Congress is doing nothing, just waiting for an emergency to arise.

The CHAIRMAN. We have the inventors council now to encourage new inventions.

Mr. ANDERSON. The fact is that we went through a pretty hefty depression in the thirties, and—

Mr. WHITTINGTON. We have been through depressions, and we have been trying our best to provide for public works before we get into another depression, and we have been trying to make other provisions—trade with foreign nations, Bretton Woods, and all these other things. Now, you come along with something that purports to be panacea, but neither you nor anyone else has put his finger on a single thing in this bill that would supplant or supplement what we have already done.

The CHAIRMAN. Isn't it also true that our planners have sometimes been pretty far afield in their planning? Because most of our public works—take our public highway construction—were started, and most of it was done in 1927, 1928, and the first part of 1929 when we had full employment in private industry. In other words, they were doing public works at a time when we didn't need so much public works. And when we got to the latter part of 1929 and 1930, 1931, and 1932 we did not have any money to perform these public works to give employment. That is the Government's responsibility. Somebody was wrong on the planning there.

Mr. WHITTINGTON. What are your other points there?

Mr. ANDERSON. I would just like to mention these three or four things that I think will be made possible through this legislation. This legislation won't provide it as such, but with this legislation there will be both the machinery and a systematic way of doing it.

Mr. WHITTINGTON. Please give them to us; what are the points?

Mr. ANDERSON. The first is, I would say there might be a release of the resources of materials, inventions, and management so as to satisfy at least the basic material requirements of living with less expenditure of effort.

The CHAIRMAN. Just on that point—release of resources and inventions. Would you make inventions free to be used by everyone without protection to the inventor?

Mr. ANDERSON. I think there ought to be a fair return to the inventor, but I am certainly not in favor of the practice that has been prevalent of taking inventions and keeping them on the shelf, just because people don't want to interfere with production.

The CHAIRMAN. If Thomas Edison had known, when he invented the incandescent lamp that he was to turn that over to everybody to manufacture the lamp, do you think he would have been so interested in staying up late at nights and losing a lot of sleep to invent the incandescent lamp?

Mr. ANDERSON. Well, knowing Edison, I think he would.

The CHAIRMAN. You think he would?

Mr. ANDERSON. Yes.

The CHAIRMAN. What about the natural resources? Do you think they should be made available to everybody? If I own a little oil on my land, should I make that available to everybody?

Mr. ANDERSON. I am talking about our resources—like land and our trees and water.

Mr. WHITTINGTON. The chairman just asked about oil; is that included?

Mr. ANDERSON. I am not saying the Government should take over the oil, but there should be a development—

The CHAIRMAN. But my land they should take over. Is that your position?

Mr. ANDERSON. The Government should give every encouragement to develop the greatest possible amount of production of oil.

The CHAIRMAN. How about the land? I am talking about the land. Would you advocate Government ownership of all land?

Mr. ANDERSON. No..

Mr. CHURCH. Will you read page 3, section 2, paragraph (e) and see if that carries out what you want? It reads:

To the extent that continuing full employment cannot otherwise be achieved it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment.

Now will you develop that a bit?

Mr. ANDERSON. Yes.

Mr. CHURCH. Let me ask you: Do you mean that that means that Government, probably through some new corporations—to illustrate, we have had Government corporations issue securities. That is one way of getting Federal investment and expenditure. Would those activities be extended so that the purpose of (e) would be carried out?

Mr. ANDERSON. No; that is not my understanding.

Mr. CHURCH. Are you against that section?

Mr. ANDERSON. What is that?

Mr. CHURCH. Are you against section (e) then?

Mr. ANDERSON. No. To me that means that the Government would develop a positive role for public works, not as a stop-gap for unemployment, a pump primer, a yardstick, or other relief measure, but as a partner to business enterprise.

Mr. CHURCH. I spoke too soon, maybe. What in (e) are you for or against?

Mr. ANDERSON. I am for it. I am saying a public-works program—

Mr. CHURCH. How would you carry out (e)?

Mr. ANDERSON. A public-works program.

Mr. CHURCH. How would you carry it out?

The CHAIRMAN. He said public works.

Mr. CHURCH. Would you form Government corporations extensive enough, assuming he creates a deficit of \$15,000,000,000 or \$30,000,000,000—would you form a Government corporation to get in money from individual buyers of Government bonds, so that that would finance the expense of this "Federal investment and expenditure" that is spoken of in paragraph (e) on page 3 of this bill?

Mr. ANDERSON. Well, I would say the first part of the expenditure would come from normal tax funds. But there are some things the Government has to do: It has to build roads, it has to build public buildings. I hope there will be a more adequate educational system and health system.

Mr. CHURCH. Mr. Whittington has already pointed out that we have public-roads programs, that they are contemplated. We have public building programs.

The CHAIRMAN. And your chairman has said that your planning of that has not been as good as it might have been.

Mr. CHURCH. Oh, so you want that planning committee?

The CHAIRMAN. Of course that was done by Government planners.

Mr. ANDERSON. That is right.

Mr. CHURCH. How much additional personnel do you want in this planning organization to be met by taxpayers' money?

Mr. ANDERSON. Well, I can't tell you.

Mr. CHURCH. You seem to dodge discussing this section (e).

Mr. ANDERSON. No; I am not, Mr. Congressman.

Mr. CHURCH. Will you read it and say whether you are for it or against it?

Mr. ANDERSON. I said I am for it.

The CHAIRMAN. He said he is for it.

Mr. ANDERSON. And I also said my interpretation of that is that it may be done in one of two ways. The first one is by a public works program, which would be financed out of taxation. I am saying that there are certain jobs that have to be done, public roads, public buildings, education, and health services. I hope there will be a great deal of development—

Mr. CHURCH. Much of that has been planned for. Do you want to hold out a plan or policy of the Federal Government, to the fine workmen of America, who do work, a plan whereby those who won't work, or half work, are guaranteed full employment, so that Federal works will be provided from the taxpayers' money and deficit financing, to the extent that they are guaranteed an opportunity to work? Do you want to go that far?

The CHAIRMAN. The bill doesn't go that far; it doesn't offer employment to the fellow who doesn't want to work.

Mr. ANDERSON. I would like to make a point on that——

Mr. CHURCH. How are you going to determine whether he wants to work or not, or whether he goes the full limit to obtain a job?

Mr. ANDERSON. I would like to say that on this business of loafing and laziness that some of us are lazy some of the time. I would say all of us are lazy some of the time.

Mr. CHURCH. Who has the right to say to any person he has not the right to rest and relax?

Mr. ANDERSON. That is right.

The CHAIRMAN. There is nothing in the bill that would prevent him from resting.

Mr. ANDERSON. I stated that in my interpretation of full employment there would always be times when some people would not be working.

Mr. CHURCH. But your bill provides for full employment.

The CHAIRMAN. Not for those who don't want to work. You have to read the whole bill.

Mr. CHURCH. They come and they want work. They satisfy someone they want work. All right; what are you going to do with them? Under (e) you are going to employ them to the full extent, aren't you, with no limit to the expense?

The CHAIRMAN. But you must read (b) in connection with that, Mr. Church. If a fellow doesn't work, you don't provide a job for him.

Mr. WHITTINGTON. I am like Mr. Church. That fellow wants to do only his sort of work.

Mr. CHURCH. All right; we will read (b):

All Americans able to work and seeking work——

The CHAIRMAN. That is the point I am talking about.

Mr. CHURCH. Seeking work.

Mr. ANDERSON. I have a suggestion——

Mr. CHURCH. Can you imagine a plan that can be considered here on the criterion of seeking work? All through life we seek work. Are we going to have a bureau that says, "Is he seeking work?" Only a housekeeper is going to be exempted. What will he work at; what is he to be paid? Who is going to determine those undeterminables in this section?

Mr. ANDERSON. I don't think this bill proposes——

Mr. CHURCH. Those are the problems that are giving me concern. Are we going to deny certain rights or improve certain rights by this bill? The chairman said we should read (b) in connection with (e). In (b) it says:

* * * to assure the existence at all times of sufficient employment opportunities to enable all Americans who have finished their schooling——

When do you finish schooling? Who is going to determine whether all Americans have finished their schooling? What grade do you think that means, college, how much?

Mr. ANDERSON. I think some of those questions would have to be considered by Congress after the bill was passed. I don't think we would say at what age you finish your schooling, but I think it may be

appropriate to establish an age, as we have, saying that children who have not reached that age shall not be given employment.

Mr. CHURCH. Hasn't America always encouraged education? Isn't every State encouraging education?

Mr. ANDERSON. Sure.

Mr. CHURCH. Are you going to encourage men to go into a Government job, under section (e) that I quoted a while ago, because you claim that he has finished his schooling?

Mr. ANDERSON. You see, I don't think the bill provides that.

Mr. CHURCH. Just because he has finished the eighth grade, or finished some mechanical course of education or some college work? And section (b) says:

* * * and who do not have full-time housekeeping responsibility."

Who is going to determine that thing? Who is going to make that determination of who does not have full-time housekeeping responsibility? Are we going to deny a good housewife who has gone back to housekeeping the benefits of this bill? What does the bill mean?

The CHAIRMAN. No; if she doesn't have full housekeeping duties and responsibilities she would be protected by the bill.

Mr. CHURCH. Protect her from paying taxes under the bill?

The CHAIRMAN. If she had domestic servants performing the household duties she would be eligible for full employment under the bill.

Mr. CHURCH. In other words, if she doesn't work the very last minute of the time at her household duties she would be entitled to the benefits of the bill?

The CHAIRMAN. Oh, yes.

Mr. JUDD. Don't you think she should also have some Lanham Act funds to take care of her children so that she could have less than full-time duties at her housekeeping? I would like to ask Mr. Anderson a question. You said in your statement that the purpose of this was to assure as high a level of employment as possible.

Mr. ANDERSON. Yes.

Mr. JUDD. Then you think the words "full employment" is a misnomer?

Mr. ANDERSON. No, no; full employment is good.

Mr. JUDD. You didn't say that. You said that the objective is as high a level of employment as possible. That is a totally different thing from full employment. Because as high a level as possible means as high a level as you can attain without getting into fiscal difficulties, without bankrupting yourself. Here you are saying, "We pledge ourselves, 5 years from now, 10 years from now, to give full employment, even though we don't know what the state of the Treasury will be at that time. I agree with you on "as high a level as possible." But I think if you believe that is what the bill means it is too bad to give people the opinion, as is generally held, that this guarantees full employment, no matter what other factors there may be to be considered.

Mr. ANDERSON. But, as some other people have pointed out, and the thing I would like to see is that there are always a few more jobs than there are workers, whether you call that full employment or the highest level of employment. Now, in regard to your other point, and some of the questions that were raised with the previous witness, as to looking ahead into the future, the thing that I see this bill would

do: First, there would be a constant looking ahead of some group to the best of their ability. I don't know how well we can do it, but I want to try it and see how well we can do the job. The second thing would be that there would be a positive role for a public-works program. I don't want to discount the psychological effect that you mentioned earlier, that it is with the knowledge that the Government is doing the planning and that the public-works program may be overextended or contracted, depending on what opportunities are provided by private interests. I think that would have a good wholesome effect on industry, and that we wouldn't get scared, and that we wouldn't have a panicky kind of feeling. Once the spiral gets started, then, as the chairman or someone pointed out, the thing goes on down.

Mr. WHITTINGTON. That all comes back to the proposition that we want adequate, sound planning rather than a planned economy. Let me ask you this, because I want to get to the floor: As I understand it, you represent the National Association of Social Workers?

Mr. ANDERSON. That is right.

Mr. WHITTINGTON. And you do a splendid job. There are 10,000 of these people?

Mr. ANDERSON. That is right.

Mr. WHITTINGTON. Let me ask you this, how many social workers would you say there are in the United States?

Mr. ANDERSON. Between 75,000 and 100,000.

Mr. WHITTINGTON. Take the membership of your organization—and just for the record I am asking: What sort of organizations, social organizations, does your membership represent? That is to say, are they employees of purely local contributions, like the community funds raised locally?

Mr. ANDERSON. No; we have some members who are employed in public agencies.

Mr. WHITTINGTON. Pardon me. What kind of social work, and by what agencies is your membership of 10,000 employed, generally?

Mr. ANDERSON. Well, State departments of welfare under public auspices, child-care agencies, family agencies.

Mr. WHITTINGTON. Your membership is employed by agencies that are supported by public funds?

Mr. ANDERSON. Some by public funds, and some by voluntary contributions.

Mr. WHITTINGTON. I think that is a fair statement. Now, you have 10,000. How many of that 10,000, for the record, would you say are employed by welfare associations supported solely by the community or local contributions?

Mr. ANDERSON. I think about half, a little bit more than half.

Mr. WHITTINGTON. Half of your 10,000 membership is employed where there is no municipal contribution, no county contribution, no State contribution, and no Federal contribution?

Mr. ANDERSON. That is right.

Mr. WHITTINGTON. Have you been employed by such an agency?

Mr. ANDERSON. Yes, sir.

Mr. WHITTINGTON. What particular experience have you had by being employed by an agency where the funds were all local or community raised?

Mr. ANDERSON. Well, I worked in a settlement house in Pittsburgh.

Mr. WHITTINGTON. That is a foundation, is it?

Mr. ANDERSON. No; it is a settlement house that got its money from the community chest in Pittsburgh.

Mr. WHITTINGTON. All right; you worked for them?

Mr. ANDERSON. Then I worked for the Federation of Social Agencies, which is the Council of Social Agencies, which brings all of the agencies together.

Mr. WHITTINGTON. I am talking about some institution, whether it is that settlement house you mentioned, or some others, supported by voluntary contributions. Have you been employed by any others?

Mr. ANDERSON. No. I would say those are the two that are voluntary. The other times I was in emergency relief in Cambria and Somerset Counties, Pa., for 2 years.

Mr. WHITTINGTON. At what kind of work were you employed during the depression?

Mr. ANDERSON. Director of emergency relief.

Mr. WHITTINGTON. Where?

Mr. ANDERSON. In Cambria and Somerset Counties in Pennsylvania.

Mr. WHITTINGTON. How long were you engaged in that work?

Mr. ANDERSON. Two years.

Mr. WHITTINGTON. What years?

Mr. ANDERSON. In 1935 and 1936.

Mr. WHITTINGTON. After that you have been doing what?

Mr. ANDERSON. After that I went to the Council of Social Agencies in Pittsburgh.

Mr. WHITTINGTON. Supported by what funds?

Mr. ANDERSON. Voluntary funds.

Mr. WHITTINGTON. The Council of Social Agencies in Pittsburgh. Did they have any agency over there that was not supported by WPA during the depression?

Mr. ANDERSON. Oh, yes.

Mr. WHITTINGTON. That was purely a voluntary agency?

Mr. ANDERSON. Yes, sir.

Mr. WHITTINGTON. But there was very much relief money spent in Pittsburgh during the depression because there was widespread unemployment?

Mr. ANDERSON. That is right.

Mr. WHITTINGTON. And Pennsylvania happens to be one of the States where there was as much money spent in that program where we didn't provide public work in advance, as a result of short-sightedness, as there was in probably 18 or 20 other States combined.

That is all.

The CHAIRMAN. Of course, you realize that at the present time the President has the authority to make these studies and transmit a budget to Congress, the same as he would have under this bill; isn't that true?

Mr. ANDERSON. Well, I think, however, that this is important, in that it establishes a law in which it is stated that this is the responsibility of the Federal Government.

Mr. JUDD. Responsibility to plan, or responsibility to provide?

Mr. ANDERSON. It is his responsibility to assure.

The CHAIRMAN. That means to provide, of course. The reason I ask you that question about the President already having the authority is that we have been pretty severely criticized, Congress has, for not

being in session during the latter part of July and August, to prepare the country for peace by assuring full employment. Mr. Smith, the Director of the Bureau of the Budget testified the other day that they already had authority to make all these plans and submit a budget to the Congress, because after it is submitted it will still have to go through the regular legislative mill; we will have to have committees authorize the legislative part, it will have to go through the Appropriations Committee, be passed by both Houses of Congress, and then the bill signed by the President, and then we have to try to find the money by borrowing it or in other ways. That can already be done without any further legislation, and I don't think it is fair to Congress to criticize it for not having this legislation in force, because Mr. Smith testified that if it were to become law, it would be as late as next year before it would become operative. I asked Mr. Smith, and the committee asked him, if he could have prepared to submit to Congress the first of January when we reconvene a budget, and if the budget will work I am sure that every person in Congress will be for the bill, but they haven't offered us any program showing how the budget will work. I think that responsibility rests with the executive part of our Government.

Mr. ANDERSON. My opinion, so far as the Congress is concerned, is that we have got a good Congress, and I think, by and large, you reflect the thinking of the people. I think there has not been action, for example, on unemployment compensation, because we have not had enough real desire on the part of enough people.

Mr. WHITTINGTON. Please don't get off on that. We have to take that up later. Stick to this bill.

Mr. ANDERSON. And maybe on this we still haven't had enough expression, or enough evidence to submit to Congress, so that you can take action on it. I think that even though this responsibility rests with the President now and that he can do it, I would be in favor of this as a policy for our country. That is the reason I would like to see it enacted into law, and I think that the final decision on it, of course, rests with the Congress, the Members of Congress. You, however, I think, by such hearings as this are willing to submit this to the judgment of the people who have an interest and have some knowledge about it.

The CHAIRMAN. There is one statement there that I think should go in this record. Isn't it true that a large number of people who have lost jobs because of the cancellation of war contracts think that the day this act becomes law they will be given a job? Isn't that the pretty widespread opinion?

Mr. ANDERSON. I think there is a great deal of confusion about it. I would say that there are probably some people who think that is so. I am a little bit taken back by members of this committee who have already spelled out exactly what it is going to mean, which has not been my interpretation of this legislation.

The CHAIRMAN. I have had a lot of letters from people who seem to think that if this bill were to become law tomorrow, they would start work next Monday, and you know that isn't true.

Mr. ANDERSON. Mr. Chairman, I would agree that is so, that there are people who think that immediately on the passage of the law that would come about.

The CHAIRMAN. You know that isn't true.

Mr. ANDERSON. I know that.

The CHAIRMAN. You know the President would have to submit his Budget in January for the fiscal year beginning on July 1, next year.

Mr. ANDERSON. That is right.

The CHAIRMAN. And the Director of the Budget told us he couldn't prepare a budget and submit it to the President in that time, and that in all probability before this bill could become effective we would be in the fiscal year beginning July 1, 1947. I just want to get these mistaken opinions cleared up. We have been severely criticized by many people for not acting on this bill because there will be a lot of people going hungry if it is not passed.

Mr. WHITTINGTON. Don't be too quick in making that statement. I don't know whether we have been criticized or not.

Mr. CHURCH. I just wonder if you are familiar with the fact that Hitler himself promised full employment. You are familiar with that?

Mr. ANDERSON. Yes.

Mr. CHURCH. Will you tell us about that? Do you disapprove of that kind of governmental philosophy?

Mr. ANDERSON. Well, of course, I am a great believer in democracy, and my belief in democracy extends to this; that when, as a people, we have something that ought to be done, we can ask our Government to do it. We do it through our elected representatives. We do not give the power to any one man, which has been done under the systems of dictatorship. And I am willing to take a chance that if we follow through this process that we have established, which is a pretty good one, that if someone has an idea, it is reviewed and discussed, it goes in a specific proposal to Congress, Congress acts upon it, and then a decision is made whether it takes it or not.

The CHAIRMAN. I take it from that statement that you would oppose Congress passing a lump-sum appropriation and giving it to the President to spend any way he saw fit in order to promote full employment.

Mr. ANDERSON. Well, yes. I don't think that this provides a blank check.

The CHAIRMAN. Would you oppose that? That could be done in implementing the full-employment program.

Mr. ANDERSON. Yes; I think in terms of spending the money I would like to keep that power in the hands of Congress.

Mr. JUDD. Do you think that if we pass this legislation, and we get into a period where there is not full employment, the RFC would be under obligation to lend money to provide jobs without coming back to Congress?

Mr. ANDERSON. I don't interpret it that way.

Mr. JUDD. Some people do.

Mr. ERVIN. You mentioned awhile ago the use of land. I would like to have your ideas as to how all the land in this country should be used.

Mr. ANDERSON. I was talking about the resources, of which land is one.

Mr. ERVIN. I am talking about the land.

Mr. ANDERSON. All right. For one, I think we should have the best possible soil-conservation program we could develop—

Mr. ERVIN. We have got now, haven't we?

Mr. ANDERSON. I think he could do better.

Mr. ERVIN. Are you a farmer?

Mr. ANDERSON. No, sir.

Mr. ERVIN. Have you ever been one?

Mr. ANDERSON. No, sir. I married the daughter of a farmer.

Mr. ERVIN. You are fortunate.

Mr. ANDERSON. I think so, sir.

Mr. ERVIN. Have you got any other idea beside soil conservation?

Mr. ANDERSON. Again, I didn't take the time to spell out all the things that could be done. I think flood control.

Mr. ERVIN. Don't you think we ought to look before we leap?

Mr. ANDERSON. Yes.

Mr. ERVIN. All right. Where are we going to leap on the use of the land?

Mr. ANDERSON. I am saying that through this bill you get a good place to stand and look. You get people to sit up on a watch tower.

Mr. ERVIN. I know you are for this thing, but I want to know what makes you think we ought to leap, and where, in regard to the use of the land.

Mr. ANDERSON. I would say three things, and those are soil conservation, flood control, and the development of dams.

Mr. ERVIN. We have got those programs in effect now.

Mr. ANDERSON. I don't think we have enough of them.

Mr. ERVIN. The President could recommend it on the first of the year in his budget, couldn't he?

Mr. ANDERSON. Yes.

Mr. ERVIN. What else have you got in regard to land?

Mr. ANDERSON. That is all.

Mr. ERVIN. What do you propose to do in this bill for the farmers and agricultural workers other than what you have mentioned?

Mr. ANDERSON. Well, for one thing, I think what happens on the farms depends on what we call a decent standard of living for the people.

Mr. ERVIN. We are all in favor of a decent standard of living. I want to know what your specific program is.

Mr. ANDERSON. One thing would be a minimum wage. I know that when you talk about a living wage, it depends on whether you are paying it or getting it. But I think at some point we have got to make a decision that that is a sufficient income.

The CHAIRMAN. In other words, he would like to pay 4 cents a pound for bacon.

Mr. ANDERSON. That is right.

Mr. ERVIN. Of course, I am in favor of a living wage for farmers. But can you be more specific? Can you say anything beyond general high-sounding terms?

Mr. ANDERSON. I think our experience during the last war with AAA and the programs we have developed helped the farmers. They are things we ought to give more consideration to.

Mr. ERVIN. In other words, you are in favor of the program already in effect, except you want them extended?

Mr. ANDERSON. That is right.

Mr. ERVIN. All right. Now most of our heavy industries are centered around New York, Philadelphia, Pittsburgh, New Jersey, Detroit, and large towns in the Nation, are they not?

Mr. ANDERSON. Yes, sir.

Mr. ERVIN. If this Nation should ever get into another war, with the danger from the atomic bomb, don't you think it would be highly desirable that heavy industries be decentralized to keep them from being wiped out?

Mr. ANDERSON. I am in favor of the establishment of certain controls—

Mr. ERVIN. You are talking about controls; I am talking about heavy industries.

Mr. ANDERSON. I am talking about heavy industries.

Mr. ERVIN. Do you want them to be decentralized?

Mr. ANDERSON. Yes.

Mr. ERVIN. Don't you think it would be better, as a matter of national security to have our heavy industries scattered throughout the country, throughout the rural areas, so that the atomic bomb won't put them out of commission and make us defenseless?

Mr. ANDERSON. I think so.

Mr. ERVIN. Don't you think it would be a good idea to put more industries down South and out West and conceal them with camouflage, and that sort of thing?

Mr. ANDERSON. Not too far South and not too far West.

Mr. ERVIN. Wait a minute. Where do you live?

Mr. ANDERSON. I live in New York City.

Mr. ERVIN. How far South have you ever been?

Mr. ANDERSON. I have been all the way through the South.

Mr. ERVIN. Riding on a train?

Mr. ANDERSON. Well, I have stopped off.

Mr. ERVIN. Where did you stop?

Mr. ANDERSON. I have been in the Carolinas, Georgia, Alabama, Louisiana—

Mr. WHITTINGTON. Mississippi?

Mr. ERVIN. How long did you stay there? Have you been in Mississippi?

Mr. ANDERSON. No, sir; I am sorry.

Mr. ERVIN. You made one of the greatest mistakes of your life in not going to Mississippi. How far have you been out West?

Mr. ANDERSON. I have been to California.

Mr. ERVIN. How long did you stay in that great State of California?

Mr. ANDERSON. Oh, I have been there 2 weeks. I was there on December 7 when the Japs attacked Pearl Harbor.

Mr. ERVIN. Why is it you think some of our industries ought not be put too far South or too far West?

Mr. ANDERSON. I am sorry. I think I was a little bit facetious in that comment. A thing I did hear is that our military leaders were very much concerned about the location of our plane factories right on the coast, because they were exposed to attack.

Mr. ERVIN. I agree with you on that.

Mr. ANDERSON. It would be better to have them inland.

Mr. ERVIN. I am talking about some of the industries around Pittsburgh, Detroit, Chicago, New York, and Philadelphia, and those big towns up North.

Mr. ANDERSON. I think there is room for expansion in every part of the country.

Mr. ERVIN. I am not talking about expansion. I am talking about decentralization. Don't you think, as a matter of defense against the atomic bomb, it would be wise to decentralize those heavy industries? •

Mr. ANDERSON. Of course. I think you are expecting me to be an expert on military defense.

Mr. ERVIN. I think anybody with any common sense would know that, whether you are an expert or not.

Mr. ANDERSON. Well, I would say I would favor it.

The CHAIRMAN. Let me ask you a question. You wouldn't want to tell a corporation that invested its stockholders' money that it must place its plant anywhere you say, would you?

Mr. ANDERSON. No.

Mr. ERVIN. No. I am in favor of private enterprise putting a plant anywhere they want to. But what I want to know is this: What did you mean a while ago when you said not too far South or not too far West?

Mr. ANDERSON. I would like to withdraw that.

Mr. ERVIN. I think you ought to. Do you know that the atomic bomb was made down in Tennessee because they knew everybody down there was a patriot and there wouldn't be any sabotage? Did you know that?

Mr. ANDERSON. I understand that they brought in a few patriots from other States, too.

Mr. ERVIN. I know they did, but everybody that lives in that surrounding country is a patriot, and there was no danger from sabotage there. Isn't that true?

Mr. ANDERSON. It is a good place.

Mr. ERVIN. Sure it is, the finest place on earth, because it used to be a part of western North Carolina. That is where I live. Now, if we should decentralize industry, if industry should do it voluntarily as a matter of self-defense of industry, don't you think it would be good for the employees who work in these industries to get down South and out West, where they can have a home and have a garden?

Mr. ANDERSON. I am in favor of that.

Mr. ERVIN. Don't you think, if a man had a home, with a plot of land for a garden, that he would be closer to God and would be able to live better?

Mr. ANDERSON. I am certainly in favor of that.

Mr. ERVIN. And I am in favor of it. I am in favor of his having a ham in the smokehouse, eggs in the henhouse, and milk in the springhouse.

Mr. ANDERSON. Yes; but if somebody wishes to live in the poorest tenement district in New York City, I don't think the Government or anybody else should tell him he shouldn't.

Mr. ERVIN. If he just insists on living there, he can do it, but I mean we ought to encourage industry to decentralize. Don't you think if we should decentralize those industries, put them out over

the Nation, by voluntary act of the industries, that that would give every man a home, a little garden where he could raise some fruits and vegetables, that we would effect an enormous saving, and that we wouldn't have so much unemployment compensation to pay; that a fellow could live off his own efforts instead of living out of the Treasury?

Mr. ANDERSON. I think that undoubtedly it would supplement his income in that way.

Mr. ERVIN. And he would be happier, wouldn't he?

Mr. ANDERSON. I know I would.

Mr. ERVIN. And wouldn't that tend to give us full employment, all those things I am talking about?

Mr. ANDERSON. I think that it would help.

Mr. WHITTINGTON. I suggest that the witness be given permission to revise and extend his remarks for the record.

Mr. ERVIN. There is one other question I want to ask: We have heard a lot about planning in recent years. Do you have any plan for balancing the Budget and paying off the public debt?

Mr. ANDERSON. I feel we should set up as good a tax policy as we can to see that we reduce the debt. I am also in favor of—and again I would say these are generalities—doing an efficient job in the Government so that we reduce expenditures. I think if we can maintain our income to as close to what we have had during the war as possible, that we will make a good dent in the debt. I think it will also be possible to reduce taxes, but I think we have got to pay off the debt, and I believe in supporting the Government through the payment of taxes, and I am willing to pay my share.

Mr. ERVIN. Don't misunderstand me. I am in favor of unemployment insurance, but I was reared in a country where we had a garden, and we always thought a fellow was better off if he could work in one and grow his own fruits and vegetables and farm animals. I am very keenly interested in people who are underprivileged and live in the cities, live in tenements. I am certainly sorry that we have had policies, both on the part of private industry and of the Government, which have tended to create too many congested areas.

Mr. ANDERSON. I think we could do a better job of planning of towns and cities, so as to give that kind of relief.

Mr. JUDD. Do the social workers in the Veterans' Administration belong to your organization?

Mr. ANDERSON. Some of them do; yes, sir.

Mr. CHURCH. You don't say how far you would go.

Mr. ANDERSON. No.

Mr. CHURCH. Would you go so far as to just keep ahead of unemployment?

Mr. ANDERSON. The thing that I would hope it would be possible to do would be—you see, I would say that we need so many roads, so many bridges, we want a flood-control program, or a good health program. That is going to cost money. I would say we are not going to spend all of that in any given year. If there are enough jobs provided in private industry we would do just what needs to be done. If, however, we see that in 1 year there would be fewer jobs in private enterprise, then I would see spending more money during that year for the necessary roads, and there may have been a backlog developed

of the things which needed to be done, things which only the Federal Government can do. That is what I mean by a positive plan of public works program, rather than waiting until the emergency comes and then trying to think up things to do.

Mr. CHURCH. As long as there are people out of work, you would be increasing that program so they would not be out of work?

Mr. ANDERSON. That is right.

Mr. CHURCH. Keep up the growth of that Federal work?

Mr. ANDERSON. I don't think it would. I believe it would give private industry every opportunity, and that there are things that happen and we have during one period fewer opportunities for work in private enterprise. Then I say, better than a relief program the Government should provide through a well-balanced public-works program job opportunities for them. The people would then have an income; they will continue to buy things they need; and we won't start that spiral going down. So I don't think we will be increasing the number of jobs, necessarily.

Mr. CHURCH. You won't increase the number of jobs?

Mr. ANDERSON. I don't think so. There may be times when you will have to, if private industry just isn't providing the jobs. Then I would say the Government will have to provide more.

Mr. CHURCH. You don't see anything in that idea that encourages men not to work so that they can be put on Government jobs?

Mr. ANDERSON. Well, Mr. Congressman, as I said, in this job that I had when I was Director of Emergency Relief, I was very much interested in seeing whether people didn't want to work, whether they wanted an easy job. I have a great respect for people, for human beings. I know some are lazy and loafers, and some are shiftless. As I said, all of us are lazy sometimes, but no healthy person is lazy all the time. And most of us want to do a creative job, we want to do our share of the work of the world.

Mr. CHURCH. I agree with you.

Mr. ANDERSON. But we want decent conditions, we want adequate wages, so that we can provide for our dependents, and I think it is the lack of those things which makes people not want to work rather than just laziness that comes from the inside. Some there are, I grant you, but I don't believe, having been in this business, that people are looking around for rocking-chair money, such as we hear all the time. I think that most of the people want an opportunity to do a job under decent conditions, where their skill is used and for which they are adequately paid. So I don't see this encouraging that kind of an attitude in people.

Mr. CHURCH. Did your organization take any action on this bill, or is this your own statement?

Mr. ANDERSON. Our organization has taken the position which I outlined in the statement, which is in support of this bill. That is, if it meets this principle. We said, first, that work under satisfactory, under wholesome conditions and at wages sufficient to assume maintenance for the worker and his normal dependents should be available to all. Federal Government has the responsibility for the initiation of such social and economic planning as may be needed to assure for the United States the highest possible level of employment. I would say, to the degree that this bill does that, we support this bill.

Mr. CHURCH. When was that position adopted?

Mr. ANDERSON. In 1944—at the conference which we had in Cleveland, May 1944.

Mr. CHURCH. Conference which who had?

Mr. ANDERSON. Our association. We have 100 chapters all over the country, and they send delegates to meet once each year, at which time we review and take action on a statement of principles. There was no legislation at that time, so we didn't act on legislation, but merely adopted a platform.

Mr. CHURCH. Therefore, you are the spokesman for that principle, and you believe this bill will carry out that principle?

Mr. ANDERSON. That is correct.

Mr. CHURCH. But you haven't studied the bill very thoroughly. Have you read the bill many times?

Mr. ANDERSON. I have read it several times. I have discussed it with several of our people. I have gone over the material in the hearings that were conducted by the Senate committee. I think I am pretty familiar with it.

Mr. CHURCH. Are there any amendments you would suggest to the bill?

Mr. ANDERSON. Just the amendments that were added on the Senate side, in Senate bill 380. I think that simplified the language. It took out this business of housekeeping that you were worried about.

Mr. CHURCH. You think we ought to encourage housekeeping rather than discourage it, don't you?

Mr. ANDERSON. I am a great believer in the institution of the family.

Mr. CHURCH. It is a great American institution.

Mr. ANDERSON. You bet your boots.

Mr. CHURCH. Any other amendments you would suggest?

Mr. ANDERSON. Yes; I would also suggest that instead of the word "policy," where it states "it shall be the policy—" I think that ought to be changed to the word "responsibility." I think that is more descriptive.

Mr. CHURCH. You mean on page 1, line 7, where it says: "Congress hereby declares (a) it is the policy—"?

Mr. ANDERSON. That is right. "It is the responsibility."

Mr. CHURCH. "Responsibility" meaning to you something stronger than "policy"?

Mr. ANDERSON. Yes, sir; I think it is different, too.

Mr. CHURCH. Stronger?

Mr. ANDERSON. Yes, sir.

Mr. CHURCH. More responsible, more binding?

Mr. ANDERSON. Yes, sir.

The CHAIRMAN. Thank you very much. The committee will stand adjourned until tomorrow morning at 10 o'clock.

(Whereupon at 12:45 p. m., the committee adjourned to 10 a. m., Friday, September 28, 1945.)

(The following was submitted for the record:)

THE MURRAY FULL-EMPLOYMENT BILL

(By Henry Hazlitt, American Enterprise Association)

Before it passed the self-styled full employment bill the Senate adopted by a vote of 82 to 0 the amendment offered by Senators Taft and Radelhoff under

which any program of Federal "investment and expenditure" for the fiscal year 1948 or later, while the country is at peace, "shall be accompanied by a program of taxation designed and calculated to prevent any net increase in the national debt."

It is very heartening to find that when the issue was presented in this form not a single Senator voted against the proposal for keeping the national debt under control and returning to a balanced budget. For that reason the Murray bill as it passed the Senate was much less dangerous than in its original form.

Yet the amendment turned the bill into a self-contradictory measure. The bill as passed still declared it to be the responsibility of the Federal Government not merely to promote but "to assure continuing full employment." In spite of the way in which the promise was watered down from its original form, even the declaration as it stands would be widely interpreted as a Government pledge or guaranty of a job for everybody. Moreover, the bill still rests basically on the "compensatory spending" philosophy which calls for continuous deficit financing as the way of salvation. It still calls for Federal "expenditures and investment" to provide jobs whenever private employment is expected to fall short of the proposed "production and employment budget" goals.

If this compensatory spending philosophy is embodied in law, those who accept it will argue, when we get to 1948, that to balance the Federal Budget will only defeat the basic purpose of the Murray bill. The House, therefore, must decide which of the two philosophies it will accept—that of restoring confidence in the Nation's currency and credit by balancing the budget and getting the national debt under control, or that of trying to spend our way into prosperity and to create jobs by inflation.

A substantial group in the House, who do accept the latter philosophy, are urging that the Murray bill be restored to its original form. It will clarify the issue, therefore, if we examine that bill in the form in which it was first introduced rather than in the self-contradictory form in which it emerged from the Senate.

The Murray full-employment bill reads more like a campaign speech than like a serious piece of legislation. It is full of the vague and undefined phrases that commonly go into political speeches. Such phrases, however, because of the wide range of interpretation to which they are subject, are capable of creating the greatest mischief when embodied in law.

The bill is officially labeled "A bill to establish a national policy and program for assuring continuing full employment in a free competitive economy, through the concerted efforts of industry, agriculture, labor, State, and local governments, and the Federal Government." It calls itself the full-employment bill, and this title is undoubtedly the greatest source of its strength. For many people do not trouble to make the fundamental distinction between desiring a certain end and devising the appropriate means to achieve it. Few men in public life like to oppose something called a full-employment bill because they fear that they will be immediately accused of being against full employment itself. No doubt, in a sufficiently emotional atmosphere, a measure called the "wealth and happiness of all" bill, or the "universal peace forever" bill would have much the same sort of support.

The first page and a half of the bill is taken up by a declaration of policy. The heart of this declaration lies in section 2, paragraphs (b) to (e). Section 2 (b) declares:

"All Americans able to work and seeking work have the right to useful, remunerative, regular, and full-time employment, and it is the policy of the United States to assure the existence at all time of sufficient employment opportunities to enable all Americans who have finished their schooling and who do not have full-time housekeeping responsibilities freely to exercise this right."

This declaration of policy is of the utmost importance, yet it is crowded with crucial terms that are nowhere defined in the bill. This declaration would be certain to be regarded by many people, perhaps including some Justices of the Supreme Court, as establishing a legal right to a job, and offering a Government guaranty of a job. For it is declared to be the policy of the United States—the Government? the people? who?—not to promote but to "assure" the existence at all times of sufficient employment opportunities, etc. Seriously to assure something is in effect to guarantee it.

The word "right" is also full of ambiguities. It could be interpreted to mean a mere moral right—something, for example, that someone deserves or would be entitled to expect in a better world—as when we say that someone has a right to be happy, or a right to gratitude from his children, etc. It could be interpreted

to mean a right in the sense embodied in the Bill of Rights to our Constitution. Such rights, however, are all liberties; they consist essentially of restraints and limits placed upon the power of government. The freedom of the press, for example, means the right to establish a newspaper unmolested by the Government; it is not a Government guaranty to supply the funds to start the newspaper. In this sense the right to work would mean merely the right of the individual to pursue his calling peacefully and without interference. But the word "right" in the declaration in the Murray bill is certain to be widely interpreted as an enforceable legal right—in short, as a guaranty.

Many other phrases in the short declaration just quoted are also subject to widely different interpretations. What is meant by "all Americans able to work and seeking work"? Is a person able to work merely one who is not physically incapacitated for working? Or does it imply that the person must have a certain minimum skill or competence for the work to which he is to be assigned? And who is to be the judge of this skill or competence? The employer? The man himself? Some Government official? Do all Americans able to work include Americans over 65 who desire to work but would be covered by the Social Security Act? How actively must the person be seeking work? Is he seeking work if he will take pleasant work but not disagreeable work, or if he will take it at one salary but not another?

To continue with the ambiguities in this short statement, what is the definition of "useful, remunerative, regular, and full-time employment"? Who decides whether the employment is useful? At what level is the employment considered remunerative? Is the remuneration to be in proportion to the actual competence or productivity of the worker? Or is it to be unrelated to this competence and productivity? What is regular and full-time employment? Is employment in a seasonal industry regular employment? Is farm employment at harvest time full-time employment? If everybody is to have full-time employment, who is to do the part-time jobs, the seasonal jobs, the extra jobs in the stores at Christmas-time, the jobs that exist only when crops are being harvested? Is there to be no unemployment even between jobs? Is everybody to be employed all the time? These are a few of the questions that this seven-line declaration of policy leaves unanswered.

The Murray bill contains generous lip service to private enterprise. It even opens with the declaration that "It is the policy of the United States to foster free competitive enterprise and the investment of private capital in trade and commerce and in the development of the natural resources of the United States." It declares that one of its objects is to "preserve and strengthen competitive private enterprise, particularly small-business enterprises." It declares (and Senator Murray himself, in a letter to the New York Times, published on August 29, 1945, stated this to be, in fact, "the basic provision of the bill") :

"Sec. 2 (d) In order to assist industry, agriculture, labor, and State and local governments in achieving continuing full employment, it is the responsibility of the Federal Government to pursue such consistent and openly arrived at economic policies and programs as will stimulate and encourage the highest feasible levels of employment opportunities through private and other non-Federal investment and expenditure."

No doubt the framers of the Murray bill inserted all this in good faith, and did not intend it as mere window dressing to obscure the essential nature of the bill. Yet this is what it is in fact. For the bill as a whole rests essentially upon a basic distrust of private enterprise. It rests essentially upon the assumption that private enterprise, without constant Government intervention, cannot provide substantially full employment. It rests essentially, in spite of its disavowals, on the assumption that whenever there is unemployment, the basic cause is an insufficiency of private spending and that the basic cure is Government spending on a huge scale to make up the difference.

Thus, immediately following section 2 (d), just quoted, we come to section 2 (e) :

"To the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment."

This is the real basic provision of the Murray bill. For the whole bill consists altogether of a little less than 12 pages, and 9 of these pages are devoted to elaborating the mechanism by which the proposed Government compensatory spending program is to be put into effect.

The apparent safeguard that Government pump priming or compensatory spending will take place "only to the extent that continuing full employment cannot otherwise be achieved" seems likely to prove a safeguard on paper only. For who is to be the judge of whether or not full employment "cannot otherwise be achieved"? Those who hold the views which obviously animate the supporters of the Murray bill would probably refuse to acknowledge the role that unsound Government policies might play in precipitating future business stagnation. They would be likely to decide after a pretty quick glance that only a good dose of further Government spending would take up any existing slack in employment. Senator Murray betrays his own attitude in his letter to the New York Times of August 29, in which he takes it for granted that all the depressions from 1870 to 1930 were caused by private enterprise "left to its own devices." The many Government policies during that period which either caused, intensified, or prolonged such depressions are treated as if they did not exist.

Beginning at section 3 (d) the Murray bill directs the President to transmit to Congress an entirely new kind of budget, to be called the national production and employment budget. In this the President is directed to set forth in summary and detail for the ensuing fiscal year, or such longer period as he may deem appropriate—

"(1) The estimated size of the labor force, including the self-employed in industry and agriculture.

"(2) The estimated aggregate volume of investment and expenditure by private enterprises, consumers, State and local governments, and the Federal Government, required to produce such volume of the gross national product, at the expected level of prices, as will be necessary to provide employment opportunities for such labor force. * * *

"(3) The estimated aggregate volume of prospective investment and expenditure by private enterprises, consumers, State and local governments, and the Federal Government."

Having done this:

"The extent, if any, by which the estimated aggregate volume of prospective investment and expenditure for any fiscal year or other period * * * is less than the estimated aggregate volume of investment and expenditure required to assure a full employment volume of production * * * shall be regarded as a prospective deficiency in the national budget."

When he finds such a prospective deficiency in the national budget for any fiscal year or other period, the President is asked to set forth a general program for "encouraging such increased non-Federal investment and expenditure, particularly investment and expenditure which will promote increased employment opportunities by private enterprise, as will prevent such deficiency to the greatest possible extent."

But to the extent that such increased non-Federal investment and expenditure is still not expected to be sufficient to provide a full employment volume of production then "the President shall transmit a general program for such Federal investment and expenditure as will be sufficient to bring the aggregate volume of investment and expenditure by private business, consumers, State and local government, and the Federal Government, up to the level required to assure a full employment volume of production."

If the estimated aggregate volume of prospective investment and expenditure for any fiscal year or other period, as set forth in this national budget is more than the "estimated aggregate volume of investment and expenditure required to assure a full employment volume of production" then the President is directed to set forth in his budget "a general program for preventing inflationary economic dislocations, or diminishing the aggregate volume of investment and expenditure to the level required to assure a full employment volume of production, or both."

The national budget is also to include "a report on the distribution of the national income during the preceding fiscal year, or such longer period as the President may deem appropriate, together with an evaluation of the effect upon the distribution of the national income of the programs set forth in such budget."

So many unwarranted assumptions are involved in this whole concept of a national production and employment budget that it is difficult to know where to begin in disentangling and analyzing them. Its sponsors talk as if the bill were almost noncontroversial and as if its adoption, while desirable, would be a step of no particular importance in itself—unless, as they put it, it were implemented by other measures. The Murray bill, in fact, would, if adopted, revolutionize our whole concept of the Federal budget as well as of the whole role that the Government plays in the national economy.

The first thing that the Murray bill does, in fact, is to abandon entirely the traditional concept of Federal finances on which our Government has hitherto operated. While this concept may have been frequently violated in practice, it has hitherto been almost universally accepted as correct in principle. It is basically simple. Its theory is that the Government should estimate each year what the expenses will be of carrying on accepted Government functions (such as national defense, salaries of Congress and officials, law enforcement, etc.) and then recommend the taxes to be levied to pay for these expenditures. The Murray bill embraces completely an entirely different concept. This is the concept of "compensatory spending." Under this theory it is tacitly assumed that every time there is depression or stagnation anywhere in business the cause lies in insufficient spending either by consumers or investors, and that the cure is compensatory spending by the Government itself.

We will examine later some of the fallacies in this theory. But it is important to observe here that those who accept the theory would be obliged to overcome or set aside all fears regarding a budget deficit, no matter how large, all fears regarding the size of the national debt, no matter how great, and all fears of a runaway inflation. A complete acceptance of the compensatory spending theory, in other words, requires us to ignore the question of governmental or national solvency, and to abandon all plans for stabilization or reduction of the national debt—unless such reduction happened occasionally to be forced upon us by the prospect that people would otherwise spend more than enough to bring full employment.

The compensatory spending theory rests, in fact, on a crude mechanical form of the purchasing power theory of business fluctuations. But when there is an absence of full business activity, involving a falling off from substantially full employment, there are specific reasons for it. In most cases we are likely to find that there is a lack of equilibrium somewhere. Agricultural or raw material prices may have got out of line with the prices of finished industrial products. Production of capital goods may have got out of balance with production of consumer goods. Wages and other costs of production may have been allowed to get so high, in the building industry, for example, that few people will want to build new homes, so that stagnation occurs in that industry and begins to spread elsewhere. Or the former foreign market of some American export trade may have collapsed, with similar results, because of some American or foreign governmental policy. Or the Government may have betrayed a hostile attitude toward business. Or it may have continued a reckless spending policy which has frightened businessmen out of undertaking new enterprises or expanding old ones, or has even led them, as a precautionary measure, to contract their previous operations. An open-minded study of all such possible reasons for depression or unemployment is necessary in order to find the appropriate remedy in each case.

Now the Murray bill contains a few ostensible requirements for a study of this sort. But because the bill in fact accepts the purchasing power theory of business fluctuations, and because it would undoubtedly be administered by officials who also accepted this theory (otherwise they would be accused of evading or sabotaging the law), it is probable that this prior investigation would be little more than perfunctory. Once having in effect accepted the purchasing power theory embodied in the Murray bill, both the administrators of the law and Congress would be likely to think that more Government spending could cure whatever was wrong and bring full employment regardless of log jams or lack of balance in the economy.

The national economy is at least as complicated as an automobile or the human body. No competent mechanic operates on any one single over-all theory of why a given automobile won't run. It may not start, it is true, because there is no gasoline in the tank. But it may also fail to start because of an impediment in the gas line, because of a defective carburetor, because of bad spark plugs, because of fouled commutator points, because of a loose electrical connection, because somebody forgot to put in oil, and so on. No mechanic would hold his job long who thought that everything could be cured by stepping on the gas. In the same way there are a hundred ailments that may slow down the human body. No doctor would long be consulted by intelligent patients who attributed all lethargy to insufficient blood circulation.

The purchasing power theory on which the Murray bill rests is the equivalent in the economic sphere of such an over-all single explanation in the sphere of physiology or mechanics. It is to economics what chiropractic is to medicine.

It assumes that pumping more money into the system will cure any slow-down whatever, regardless of the specific reasons for that slow-down. Such an assumption would lead to failure to correct the maladjustments that have caused the slow-down. The Murray bill, in brief, would seek to cure every disease of the economic system by increased doses of inflation.

This is what compensatory spending really means in practice. For it necessarily means deficit financing. It is not difficult to see why this is so. Suppose that the Government tries to compensate for what it deems insufficient private spending by its own spending? If at the same time as it increases its own expenditures it tries to keep the Budget balanced by increasing taxes, then it reduces the purchasing power of the public by exactly the same amount as its own additional spending. The taxpayers lose precisely as much purchasing power as the Government adds. For every dollar that the Government spends on roads, dams, bridges, or post offices, the taxpayers have just one dollar less to spend on new homes, clothing, food, radios, refrigerators, or automobiles. For every job that the Government creates, it destroys a private job. For every public work to which it can proudly point, there will be just one less private factory of similar value, or just that much less produced to fill the needs of private individuals. The real situation, in fact, will be much worse than this, for high taxes themselves distort and discourage production.

In order to avoid this result, the Government must finance its additional full-employment spending not by taxes but by borrowing. It must, moreover, borrow only funds that would not have otherwise been invested through private channels in any case. The best way for the Government to make sure it is doing this is to borrow by creating new bank credit and new currency—in short, by inflation.

For compensatory spending to work even for a short time, in brief, it is not the absolute volume of Government spending that counts; it is only the size of the deficit. This conclusion has one corollary that the apostles of compensatory spending usually overlook, and which the Murray bill seems to overlook altogether. Assuming that you already have a balanced budget, there are two main ways to achieve a deficit, if that is what you want. One is to increase Government spending without increasing taxes. The other is to keep Government spending where it is, but to reduce taxes. The second method, it is obvious, will put as much "increased purchasing power" into existence as the first, provided that the deficit achieved in each case is of the same.

Suppose, for example, that the Federal budget is stabilized a few years from now at an expenditure level of \$20,000,000,000, and that it is balanced by taxes at that level. Suppose that the statisticians who put together the "National Production and Employment Budget" decide that there will be a shortage of \$10,000,000,000 in private spending and that this can only be made up by the Government. Under the Murray bill they would advocate Government expenditures of \$30,000,000,000 with taxes remaining at \$20,000,000,000. But they could achieve the same volume of "increased purchasing power," i. e., the same budget deficit, by leaving expenditures at \$20,000,000,000 and cutting taxes by \$10,000,000,000.

The second method would at least have many advantages over the first. It would reduce the number of public works of doubtful utility. It would reduce the danger of make-work projects. It would reduce the danger of swollen Government pay rolls, hard for political reasons to get down again. It would reduce the danger of a huge patronage machine, of a huge body of Federal office-holders who might perpetuate themselves in office and hold the balance of power in the electorate. It might reduce the potential number of scandals surrounding favoritism or discrimination in giving out public contracts in a way to reward political friends and punish political opponents.

This is not to advocate an unbalanced budget achieved by either method. It is merely to point out that a deficit achieved by reducing taxes is much less dangerous than one achieved by increasing expenditures.

But all deficit financing if continued long enough leads ultimately to inflation. It undermines public confidence in the Government's credit; it puts excessive amounts of bank credit and currency into circulation; it leads to runaway prices. There can be no such thing as a controlled inflation (though inflation for a few short years may sometimes look as if it is under control). And a runaway inflation is always a disaster.

The Murray bill does assume that there can be such a thing as a controlled inflation. The Federal Government, it assumes, can inflate and deflate at will,

scientifically, by means of statistics. The Murray bill takes it for granted that these statistics are known or can be easily discovered, and that they will be objective and beyond reasonable dispute. None of these assumptions is true.

Let us examine some of the statistics upon which the Murray bill would rely. The first estimate for which it asks, in framing the national production and employment budget, is "the estimated size of the labor force, including the self-employed in industry and agriculture."

Now official estimates of the "labor force" are already made. They have been regularly published, for example, in Manpower Statistics issued by the War Manpower Commission. These statistics placed the labor force in July of 1945 at 53,750,000.

How is this figure arrived at? It is derived from the figures of the Bureau of the Census. The WMC explains the figure in this footnote:

"The civilian labor force is composed of those people who are employed or who are seeking work. Within these limits are included both men and women who are 14 years old or older. Excluded is the estimated number of persons in the armed forces. Excluded, also, are those who are engaged exclusively in own home housework or in attending school, those who are in institutions, and those who are unable or too old to work."

On another page of its Manpower Statistics the WMC prints a table of nonworkers, also derived from the figures of the Bureau of the Census. It estimates these nonworkers in July at 39,360,000, of which 5,170,000 were men and 34,190,000 were women. What do these figures include? A footnote explains:

"Data on nonworkers comprise both men and women who are civilians 14 years and older. They include those engaged in own home housework, students, those unable or too old to work, and others. The nonworkers are not part of the labor force and do not include the unemployed who are considered to be a part of the labor force."

It is not difficult to see, even at a casual glance, how arbitrary these estimates are. Why begin estimating the labor force with people who are "14 years old or older"? Why not begin at 15 years, 16 years, 17 years, 18 years? One can get a larger or smaller "labor force" by merely moving this arbitrary age limit up and down. How do we determine, again, when people are "too old to work"? Here again we have an arbitrary definition. Men too old to work as coal miners or stevedores may be young enough to work in a factory. Men too old to work in factories may be able to do light part-time work. One can put the age limit at 65 to correspond with the old-age benefit offered under the Social Security Act. But men are not necessarily fit as a fiddle until 64 and suddenly unable to work at 65. Many people in excess of 65 are, in fact, employed. And many people too old to wish to take real work in private enterprise may insist that the Government has not achieved full employment unless it has provided a light and pleasant form of made work specially adapted to their capacities.

Still, again, what about the millions of women engaged in their own housework? Their decision whether they want or would take a job might depend a great deal on the money and hours offered by that job and the attraction of the work compared with the work that they are now doing. This is the sort of consideration that depends mainly upon the feelings and interests of the individual, which may shift constantly. Here is another figure, therefore, that statisticians could juggle around to suit themselves.

The size of the working force, finally, depends in large part upon the economic status of each family. If the father loses his job, the daughter in high school and the son in college may both quit school to look for a job. Here is a case in which, because one person loses his job, three persons are looking for work; two extra persons have been added to the "labor force."

Statisticians can get almost any theoretical figure for the "unemployed" by the simple device of raising or lowering the estimate of the available "labor force." That is one reason why, all through the thirties, there were simultaneously such widely different estimates of unemployment. For 1940, the National Industrial Conference Board estimated average unemployment at 7,607,000, the American Federation of Labor at 9,383,000, and the CIO at 10,290,000.

The Census figures back to 1910 show that in this whole period only 40 percent of our total population considered itself, employed or not, to be in the "labor force." This 40 percent of men and women supported both themselves and the other 60 percent, consisting of housewives, children, the aged, the unfortunate, and the disabled. In addition there were those who were idle from choice or the absence of necessity. It is the mark of an advanced and wealthy civilization that it can afford this. In backward countries a much higher percentage of

women and children are forced to live by the sweat of their brow. Those who now estimate the working force at 60,000,000, and wish to insure jobs for all of them, are in fact saying that 43 percent of our population must now be given work in spite of greater labor productivity, though over the last 40 years only 40 percent has considered that it could or needed to work for a living.¹

In sum, the first estimate asked for by the Murray bill is in fact an estimate that cannot be made without a large set of arbitrary assumptions. It is not only subject to a margin of error that may at any time be as great as several millions; it is in fact basically indeterminable—if only, for example, because a married woman who would rather remain idle than take one sort of job may jump at the chance to take another.

The next figure that the Murray bill asks the President to determine is—

“(2) The estimated aggregate volume of investment and expenditure by private enterprise, consumers, State and local governments, and the Federal Government, required to produce such volume of the gross national product, at the expected level of prices, as will be necessary to provide employment opportunities for such labor force.”

Here is a second indeterminable figure. What the Murray bill asks for here is not so much a single figure as a complicated equation. It will be noticed that the framers of the Murray bill, in asking for this “estimate,” are in effect assuming a one-way chain of economic causation that has a very dubious relationship to the way the economic system actually works. According to this theory everything begins with spending. Expenditure “produces” a “volume of the gross national product.” This in turn “provides employment opportunities” for a given labor force.

Now it is just as valid to say, as a matter of fact, that employment provides expenditure as it is to say that expenditure provides employment. And it would be even more valid to say that employment produces a gross national product than it is to assume that a gross national product provides employment. Actually what we have here is a set of quantities so interrelated that each of them may be said to determine the other. To assume arbitrarily that everything begins with expenditures is to adopt an untenable theory of causation and to place a false emphasis on merely monetary to the neglect of other factors.

It will be noticed that the volume of gross national product is to be estimated in terms of the “expected level of prices.” This illustrates again the extremely complicated nature of the expected estimate. The Government's statisticians must accurately determine in advance the future “level of prices” as well as the future physical volume of national product. But “a level of prices” does not exist except as a statistical abstraction. It is merely the average of tens of thousands of different prices which nothing short of omniscient can be expected to know in advance.

Finally, it will be noticed that this provision of the Murray bill says nothing whatever about an expected level of wages, though such a figure is crucial to this whole estimate. If wages go up 30 percent, for example, then the same “aggregate volume of investment and expenditure” can obviously provide much fewer jobs than if wages remain approximately where they were.

The Murray bill, incidentally, never mentions the question of wage rates, which is central to the problem with which it attempts to deal. It seems to assume tacitly that wage rates are a fixed magnitude that can be taken for granted in the intricate calculations for which it calls, and that it is only employment, and not wage rates, that would be affected by the policies it would enact. The possibility that the inflationary spending they insist upon might under certain easily conceivable conditions merely raise existing wage rates *without increasing employment* never seems to have occurred to the framers of the measure.

Assuming that an estimate that is any better than worthless can be made on this second figure, we come to the third figure that the Murray bill asks the President to determine: “the estimated aggregate volume of *prospective* investment and expenditure by private enterprise, consumers, State and local governments, and the Federal Government.” [My italics.]

This is probably the most difficult figure to estimate of all. The Federal Government has not even been able to give an accurate estimate of its own expenditures (a point that will be elaborated later), but here it is being asked to estimate

¹ It is true that Secretary Wallace's 60,000,000 jobs does not present this numerical objective as desirable or realizable until 1950. Most of those who use this slogan, however, have given the impression that it can be realized immediately.

the expenditures of everybody else. It must know what every great corporation and every little one is going to spend; what each drug store, grocer, and butcher is going to spend; what the 48 State governments and thousands of city, town, and county governments are going to spend; what 30,000,000 families are going to spend even though they don't yet know themselves. Yet this omniscience is expected to be found in a little group of Government superstatisticians.

Assuming that these three estimates are made, then the Murray bill at last gives the President's statisticians a simple problem:

"The extent, if any, by which the estimated aggregate volume of prospective investment and expenditure for any fiscal year or other period * * * is less than the estimated aggregate volume of investment and expenditure required to assure a full employment volume of production * * * shall be regarded as a prospective deficiency in the National Budget."

It is very easy to deduct one figure from another and get a result and give it a name. But if the two original figures are themselves hopelessly wide of the mark, the result of deducting one from the other will be equally worthless. However, it is this third figure which is to serve, as we have seen, as the annual basis for the new Government spending program.

It is obvious that the possible margin of error in the figures that the President is asked to gather is so great that there is likely to be not only a substantial error in the final result, but that the result may be wrong even in direction. It may call, for example, for a huge spending program in an inflationary period, when the only sound policy for the Government would be to retrench expenditures and retire part of the national debt. The opposite result is also theoretically possible. That is, it is possible for the Government to plan ahead for severe retrenchment in a period that would in any case have been one of depression. But political pressures being what they are, the probabilities are very high that the estimates will almost always be loaded to seem to require heavy Government spending.

Another crude assumption in the Murray bill may be noted at this point. Even if we assume that the labor force is ascertainable, that the expenditures "necessary to provide full employment" are ascertainable, and that the actual future "non-Federal" expenditures are ascertainable, the Murray bill is still wrong in assuming that the Government can get full employment by spending the difference. For both the prospect and the actuality of the Government's own expenditures will change all the plans of private business and private individuals regarding their own expenditures. Private expenditures will be in large part determined by what people expect the Government to do. Those who expect to be direct beneficiaries of the Government spending may advance or increase their own plans to spend. Others may be frightened by the prospect of Government intervention, Government competition, or waste and contrast their expenditure plans.

If the Government forecasts were taken seriously, moreover, either a predicted boom or a predicted slump would begin to come right away, because people would immediately begin to buy or sell securities, or expand or contract their business operations, to take full advantage of the expected boom or avoid the worst results of the expected slump. Thus the predicted condition would come before the time for which it was predicted. Hence we have the paradox that the only Government forecast that would not be falsified would be one that was not believed when it was made. The Murray bill ignores all these psychological complexities and all these "compensatory reactions to compensatory spending."

This points to the serious political dangers of the Murray bill. As a general rule, both the administration officials in power and many Congressmen will be tempted to press the Government statisticians (whose own jobs and influence will depend upon the favor of these groups) for estimates which show that it is necessary for the Government to spend more rather than to retrench. The politicians in power will be inclined to favor estimates which lead to the conclusion that a continued Budget deficit is necessary. It is the primrose political path to tax lightly while making all sorts of expenditures for the benefit of this or that pressure group.

If the Murray bill should become law it is easy to see how a future unscrupulous administration, once it gained power, could make the lowest plausible estimates of the amount of private expenditure that was likely to be made and the highest plausible estimates of the Government expenditures necessary to provide "full employment." These estimates might then be used as a means of building up a huge patronage machine for obtaining votes and permanent power. Even with

the utmost honesty and good intentions the estimates called for in the Murray bill are likely to be bad. But when the temptations of political spending are added to this the bill could be an extremely dangerous weapon in the hands of a future President who lacked complete integrity.

Compared with the complications, unknown quantities and pitfalls that would surround the estimates which the President is asked to make under the Murray bill, the problem of the Government in estimating merely its own expenditures, within its own control ought to be ridiculously simple. Yet on this problem the Government in the last dozen years has piled up a singularly unimpressive record.

The following table shows the actual record of the President's estimates of expenditures, revenues, and deficits, for the following fiscal year as presented in his annual budget messages from 1934 to 1943. The figures are in millions of dollars. Expenditure figures exclude debt retirement:²

[In millions of dollars]

	Budget estimate	Reality	Difference
Expenditures for fiscal year—			<i>Percent</i>
1935.....	5,961	6,802	+14
1936.....	7,884	8,477	+8
1937.....	6,173	8,001	+30
1938.....	5,756	7,626	+32
1939.....	6,869	8,707	+27
1940.....	8,995	8,998	—
1941.....	8,424	12,710	+51
1942.....	17,486	32,397	+85
1943.....	58,928	78,178	+32
1944.....	104,128	93,743	-10
Receipts for fiscal year—			
1935.....	3,975	3,800	-4
1936.....	3,992	4,116	+3
1937.....	5,654	5,294	-6
1938.....	7,294	6,242	-14
1939.....	5,919	5,165	-13
1940.....	5,669	5,387	-5
1941.....	6,248	7,607	+22
1942.....	8,275	12,799	+55
1943.....	16,487	22,281	+35
1944.....	33,081	44,148	+33
Net deficit for fiscal year—			
1935.....	1,986	3,002	+51
1936.....	3,892	4,361	+12
1937.....	519	2,707	+422
1938.....	¹ 1,538	² 1,384	—
1939.....	950	3,542	+273
1940.....	3,326	3,611	+9
1941.....	2,176	5,103	+135
1942.....	9,211	19,598	+113
1943.....	42,441	55,897	+32
1944.....	71,047	49,595	-30

¹ Surplus.

² Deficit.

Some very instructive results emerge from this table. In the 7 fiscal years from 1935 to 1941, inclusive, there was an average error in the estimate of receipts of about 10 percent. In the same 7 years there was an average error in estimating expenditures of 23 percent. It is obvious that errors of this size, or even much smaller, would render the forecasts required by the Murray bill not only useless but potentially very dangerous. The worst unemployment year of all was 1933. In that year the National Industrial Conference Board estimates an average unemployment of 11,842,000 out of an estimated total working force of \$30,669,000. This meant that 23 percent of the working force was then unemployed. It is an instructive coincidence that this is almost precisely the average percentage of error in Federal expenditure estimates in the 7 years before our entrance into the war.

If a 23-percent margin of error in prospective national (not merely Federal) expenditures would make, as the Murray bill itself assumes, a 23-percent difference in the volume of employment, it is evident that the forecast of expenditures

² The figures for the peacetime years are based on a table published by Editorial Research Reports, Washington, D. C. For the wartime years I have taken the figures directly from the President's annual budget messages.

would be even more useless as a forecast of unemployment. Unemployment, as compared with the total available working force, represents merely a marginal element, an unused residue. Therefore, even if we assume the theoretical assumptions of the Murray bill to be valid, the percentage of error in forecasting unemployment can be enormously greater than the percentage of error in forecasting total national expenditures or total employment.

This point may again be illustrated by the estimates of the Federal budget. Whereas the error in estimating Federal expenditures in the 7 years before the war averaged 23 percent, and the error in estimating receipts averaged 10 percent, the error in estimating the net deficit averaged 150 percent. The fact that these are average percentages of error means that in particular years the percentage of error was far higher. The error in estimating the deficit for 1937, for example, ran as high as 422 percent. What was expected to be a surplus for 1938 actually turned out to be a deficit.

The difficulties of obtaining accuracy would be increased manifold in the kind of figures that the Murray bill wishes the President to compile. In the foregoing calculations of average percentage of error in the Federal budget estimates the fiscal years in which we were at war have not been included. They are included in the table, however, as a reminder of the kind of unforeseeable contingencies that all such estimates may meet. Ironically enough, for 1944, when the President gave up all hope of achieving an accurate estimate of war expenditures and simply threw in the round figure of \$100,000,000,000, his estimate turned out to be more nearly right than for any year since 1936.

It may be objected that it is not quite fair to use the historic record of Federal Budget estimates as an indication of the much greater errors of forecast to which the Murray bill national production and employment budget would be subject. The President, who makes the Federal Budget estimates, it may be said, cannot control the expenditures of Congress. But the President, in fact, has greater control over the expenditures of Congress than he has over the expenditures of 48 State governments, thousands of cities and towns, hundreds of thousands of business firms, and 140,000,000 Americans. All of these expenditures must be forecast in the Murray bill national production and employment budget. The President can at least exercise a limited but often decisive veto power over the appropriations of Congress. Unless the sponsors of the Murray bill anticipate a similar veto or compulsory power by the Federal Government over the expenditures of all State and city governments, all corporations, and all American families, their estimates can go far astray.

It will no doubt be argued that the Murray bill not only provides for heavy Government spending in periods of expected depression but also makes provision for contraction of spending in periods of expected boom. The actual provision of the bill on this point is section 3 (d) :

"If the estimated aggregate volume of prospective investment and expenditure for any fiscal year or other period * * * is more than the estimated aggregate volume of investment and expenditure required to assure a full employment volume of production * * * the President shall set forth in such budget a general program for preventing inflationary economic dislocations, or diminishing the aggregate volume of investment and expenditure to the level required to assure a full employment volume of production, or both."

There are certain significant omissions and obscurities in this provision. It provides, for example (and even then merely as an optional alternative), only for "diminishing the aggregate volume of investment and expenditure." It does not specify or even clearly hint that this should be done chiefly or solely through reducing the expenditures of the Federal Government. Moreover, as we have seen, merely to reduce Federal expenditures might not accomplish the results desired, unless they were in fact reduced substantially below the level of taxes. In other words, even from the standpoint of the compensatory spending theory itself, it would be necessary to curb a threatened inflation by substantial repayments of the national debt. But the Murray bill does not clearly specify this essential step.

Experience teaches us, moreover, that all the powerful political pressure groups that are for spending will be against heavy repayments of the national debt. To be able to spend heavily without taxing by an equal amount is the unscrupulous politician's paradise. He can then make hand-outs of the people's money to every sort of pressure group. He can build up a great patronage machine, without its seeming to cost the taxpayers anything. But the moment he is called upon to admit that there is an inflationary boom in prospect and that

this process must be reversed, his troubles begin. For he is then asked either to raise taxes or to cut off the pressure groups and the patronage groups from the benefits to which they have become accustomed. He is asked to vote for measures that will either increase the irritation of the taxpayers or enrage the previous recipients of Federal money, or both. Only the most courageous statesmen will be willing to take this course unless the indications point overwhelmingly to an inflationary boom.

For evidence on this point we need not look beyond the present time. The country already has an unparalleled national debt of \$262,000,000,000. It is still, in spite of the end of the war, estimated to be running a Budget deficit for the current fiscal year of the dimensions of \$30,000,000,000. All signs point to a highly dangerous inflation. Yet it is precisely at this moment that unnumbered bills in Congress and unnumbered plans in the States and cities call for more gigantic governmental expenditures than ever. So far from trying to "compensate" for the actual and prospective inflation brought about in large part by its own previous spending, the Federal Government is chiefly concerned with putting forward still more spending plans. The very fact that the Murray bill itself is being pressed so vigorously at this time, when it is most essential to get the Federal Budget into balance, shows how little meaning there would be in section 3 (d).

It is true that the Government is responsible for establishing conditions under which maximum production and full employment are possible. The Murray bill will not establish such conditions. Congress might do more to achieve them at the present time, in fact, by modifying or repealing many laws already on the books than by the mere addition of new laws. The proper measures to prevent unemployment in the long run are simply the proper measures for creating a sound, stable, and progressive economy.

The elaboration of any detailed positive program to achieve this result is obviously beyond the scope of the present analysis. But if, for example, the President wishes to submit to Congress the kind of forecasts and estimates called for in the Murray bill, there is no reason why he cannot do so without a Murray bill. It might, indeed, be instructive to have the President submit such estimates for, say, the next 5 years. The country could then get some notion of their probable accuracy before being asked to base dubious policies upon them.

SUMMARY

The Murray bill, in sum, is a rhetorical measure which attempts to enact ambiguous and undefined terms and promises. It assumes that high-sounding phrases are an adequate substitute for facts and that an ill-considered group of academic theories are indisputable truths. It pays elaborate lip service to the private enterprise system at the same time as it rests on a fundamental distrust of that system and proposes measures that would in fact undermine and eventually destroy the system. It rests, also, on a crude form of the "purchasing power" theory of economics. This assumes a one-way causation under which a given volume of production or employment is supposed inevitably to follow a given volume of spending. If the economic system worked in this simple way, we could solve all our problems by printing hundred-dollar bills and passing them around. Government spending, deficit financing, increased doses of inflation, are in fact the heart of the Murray bill as it at present stands. It would base its spending policies on an elaborate set of estimates that would be in fact a series of guesses subject to a wide margin of error. The publication of these official guesses would itself set off widespread psychological forces that would falsify them. The bill assumes that Government spending would be the net addition to private spending. It completely overlooks the effect of Government spending in frightening private capital away. The passage of this bill would only multiply existing fears of inflation. The only "substitute" for the bill would be to take precisely the opposite course of the one it proposes. This course would be an announcement by Congress of its determination to bring the Federal Budget into balance at the earliest practicable moment.

FULL EMPLOYMENT ACT OF 1945

FRIDAY, SEPTEMBER 28, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES IN THE
EXECUTIVE DEPARTMENTS,
Washington, D. C.

The committee met at 10 a. m., the Hon. Carter Manasco (chairman) presiding.

Mr. COCHRAN. If there is no objection, the committee will come to order. The chairman has been delayed for a few minutes; he will be here directly.

The first witness is Col. James Schramm. Colonel, will you please identify yourself for the record; give you full name and also your connections.

STATEMENT OF JAMES S. SCHRAMM; COOWNER AND MANAGER, J. S. SCHRAMM CO., BURLINGTON, IOWA

Mr. SCHRAMM. My name is James S. Schramm; my residence is Burlington, Iowa, and I own and manage, with my brother, the J. S. Schramm Co.

Mr. COCHRAN. What is the nature of that business.

Mr. SCHRAMM. Retail department store.

Mr. COCHRAN. Colonel, would you like to make your statement without interruption and then let the committee ask you such questions as they desire?

Mr. SCHRAMM. I will be glad to do so. I have prepared some notes, and I will be glad to deliver them.

Mr. COCHRAN. You may proceed in that way, with the understanding that the committee will have the opportunity of asking what questions it desires.

Mr. SCHRAMM. To repeat, my name is James S. Schramm, and, with my brother, I own and manage the largest department store in southeastern Iowa, the J. S. Schramm Co. Except for the last 3 years, when I've been in the Army, I have spent 21 years as active operating head of this business. I would like to ask your indulgence with me in a bit of personal, middlewestern, Corn Belt history, in order that you may better understand why I favor the enactment of H. R. 2202.

In 1845, exactly 100 years ago, my grandfather opened a little general store in Burlington, Iowa. That was before Iowa was a State—it was Wisconsin Territory—Indian territory. The town grew, railroads came, manufacturing establishments came, farmers prospered, and the little general store grew up to a big dry-goods store. In the

early days my grandfather made one buying trip a year to New York. He bought what he thought he could sell in the next 12 months and, with cash, paid for the goods he had purchased the year before. When my father assumed the management of the more grown-up business, he made two or three buying trips to New York each year. Today, we maintain a year-round full-time buying office in New York, and our buyers are continually in the market. But ours is not a big business. It is big for Burlington, but Burlington isn't a big city. It is one of the most typical small cities in the country, about 35,000 population, on the Mississippi River, in the center of the best farm land of the world.

Iowa farmers are rugged individualists—so are Iowa businessmen. They resent interference in their affairs. They want only so much government as will assure them the opportunity to live in peace, make a living, and enjoy the benefits of their labor. They don't like bureaucracy, and they object to all unnecessary controls. But they have learned a great deal in the last 15 years. They have learned there are some things they can't do for themselves, some things the city and county governments must do for them, some the State government must do, and some things only the Federal Government can do. They remember that they individually were powerless during the dark depression years of the early thirties. The city and the county and the State were powerless to solve the complex economic problems of those unhappy years.

When banks were threatened with serious runs in the days of my grandfather, he stood on the steps of the town bank, facing the anxious depositors, and pledged security of their funds, and the farmers and workers and smaller businessmen, confident in his integrity, accepted his pledge. But it didn't work that way in the early thirties. Nothing short of intervention by the Federal Government saved the day then, and it was far from complete salvation. Thousands of businesses went into bankruptcy, most of them small businesses. The larger ones had reserve capital and credit resources, but the small businesses and millions of individuals couldn't weather the storm. Hundreds of our customers couldn't pay their bills when due and still needed clothing and bedding. We gave them what they needed—thousands of dollars worth of it, and hoped we could survive. They and I don't want a recurrence of those days.

My customers and your electorate have learned something else. They know that our Government can lick any problem it chooses to face. They know the miracle of American war production. To many it was a miracle. In reality it was the result of wise legislation by the Congress, implemented by sound Government operations and wholehearted support of industry and labor. It was planned that way and it never could have been achieved without the basic legislation you enacted. I hope there never again will be the necessity for imposing so many drastic governmental controls as we have had to have during the war, and I hope there won't be the need for such huge Government spending. And I don't think we can trust to luck for economic stability and full employment in peacetime any more than we could trust American war production to luck. It has to be planned, and as I read H. R. 2202, this proposed legislation undertakes to do so.

I have read this bill and it seems to me a very simple and straightforward statement. There is nothing in it that should puzzle or alarm

thoughtful people who are serious about intending that we shall have full employment and that we shall keep our free-enterprise system.

As I read it, the bill first states the objective—full employment opportunity in a free competitive economy. I thoroughly agree with that. I want both these things, and intend that we shall have both these things. Neither would be any use without the other, of course. Also, of course, as practical propositions, this means that we have to define each in terms that will not conflict with the other.

Next, the bill recognizes in plain English that it is the responsibility of the United States Government to assure this condition will exist—that there will actually be opportunities for employment, and it says right out, without any double-talk, that the Government will do whatever is necessary to make good on this. It says the Government will do everything it can to assist private business and the States and local governments to do their parts, but that, if this isn't enough, then the Government will underwrite and assure the whole thing by public investment and expenditure if necessary.

Finally, the bill sets up machinery, which I think is badly needed—and I have seen something of this in Washington—machinery for coordinating the Government itself—both in the executive establishments and in Congress. The annual Budget is regular business-like procedure. I don't see how we can possibly get along without, the way things are going to be after the war. The joint committee of the Senate and the House likewise seems like a constructive and necessary improvement. These provisions of the bill, in other words, appeal to me as meaning that the sponsors of the bill intend to do as they say, that they really want and intend to have full employment, and that's what I want.

I don't know whether or not we are going to have serious, widespread unemployment. I am not an economist, and I know that the views of economists differ on most subjects. Every young woman who enters my store wants a dress that is different from her neighbor's, but they all agree that it must follow the style trends they see pictured in *Vogue* or *Harper's Bazaar*. So economists differ in many of their judgments, but I know of none who does not agree that widespread unemployment sometime during the next 5 or 10 years is a real possibility and that it would be an economic and social calamity.

We have some rather serious unemployment in my own community. The Iowa ordnance plant, an immense shell-loading facility, is closed. Two thousand workers are out of jobs. We, ourselves, are going to do everything within our power to give employment to those who want to work. We are going to get new industry if we can. But it isn't going to be easy, and if Burlington, Iowa, is as typical a city as I think it is, I suspect that there may be a rather strong insistence by the people that the Federal Government take some positive action to assure employment for those who wish to work if local unemployment persists. They don't expect 100 percent full employment, but they won't tolerate any such unemployment as they recall existed in the early thirties.

Mr. HOFFMAN. Right there, let me interrupt you. What are they going to do about it? You say they won't tolerate it. What are they going to do?

Mr. SCHRAMM. I think they are going to raise an awful lot of noise about it.

Mr. HOFFMAN. Is that all?

Mr. SCHRAMM. I don't know what they will do, but I think they will put their shoulders to the wheel and insist something be done.

Mr. HOFFMAN. Pardon me for interrupting.

Mr. SCHRAMM. Of course, it would be easier for me, day by day, if there were so many unemployed if I could hire and fire as I see fit. I might pay lower wages and select only the best employees. But we have passed the days of such short-sighted business philosophy. One of our most troublesome problems during the war was the scarcity of help. We couldn't hire clerks, janitors, stenographers, or warehouse workers. We had full employment, but we also had the busiest cash register in our history. No businessman with a memory and a record of success would swap incoming dollars in the till for a long line of applicants for jobs at the employment office. Retail business was good during the war because employment was at its peak. There was no other reason.

Before these hearings are finished, I am sure you will hear the testimony of others, expert in matters of economics, who will present their reasons for supporting H. R. 2202. I have spoken simply as a typical small businessman and retailer from the Middle West who looks upon this proposed legislation as a first step, and most urgently needed step, by the Congress in the direction of assuming its proper role of guiding the Nation toward peacetime prosperity. It doesn't go the whole way because we can't yet see the path. Approving the bill means simply disapproving of unemployment and indicating the legislators' determination to hold unemployment to the barest minimum. I assure you that the people of the United States want their Congress to speak out squarely in this matter. They are impatient at delays in the Government. It is already late. They think Congress should tackle the problem of unemployment before it gets out of hand, and they have confidence that with such legislation as H. R. 2202, the Congress can and will follow through and see that the bill is wisely implemented with the minimum of Federal expense and regimentation consistent with attainment of the goal.

Thank you, gentlemen, for the courtesy of this hearing.

Mr. COCHRAN. Colonel, you realize that under the terms of this bill businessmen such as you are going to have a full opportunity to keep the people of the country employed, and only in the event that the businessmen are unable to cope with the situation would any policy laid down in this bill be carried out.

Mr. SCHRAMM. I think that is very true.

Mr. COCHRAN. The businessmen of the country are going to be given full opportunity to meet the situation.

Mr. SCHRAMM. That is right.

Mr. COCHRAN. And it will be a happy day for the people, the taxpayers, and Congress, if the businessmen are able to take care of the situation without Congress taking any action with reference to any legislation that would provide employment.

Mr. SCHRAMM. Yes.

Mr. COCHRAN. In other words, if we do have full employment, through the efforts of the businessmen of the country, then it would be

foolish for Congress to step in and take any action. But, on the other hand, if we lay down this policy and plan in advance and a situation develops where the unemployment condition gets beyond the businessmen, than you want, as this bill proposes, for the municipalities and the States and the Government to step in and do what they can to alleviate the unemployment situation, and by so doing they will increase the purchasing power, the employed will then spend their money with you as they have in the past and the Government will be able to collect more taxes from you by reason of the increased profits that you will derive as the result of full employment, and it will be easier for us to meet our expenditures.

Do you understand this bill is drawn for the purpose of creating a condition such as that provided that the businessman is not able to supply the necessary jobs for those who are willing and able to work?

Mr. SCHRAMM. Yes; I do.

Mr. COCHRAN. That is your impression of this bill?

Mr. SCHRAMM. That is right.

Mr. COCHRAN. In other words, as a businessman, you are in hopes that Congress will enact legislation which will have a plan ready to proceed immediately in the event that the situation in the country demands it, and not wait over a period of long months?

Mr. SCHRAMM. Yes.

Mr. COCHRAN. For the Congress to consider such problems and enact legislation, by which time the unemployment situation might get out of hand entirely.

Mr. SCHRAMM. That is right.

Mr. COCHRAN. That is all, Mr. Chairman.

The CHAIRMAN. Have you any question, Dr. Judd?

Mr. JUDD. I am glad to see Colonel Schramm again. I have been a guest of his family in Burlington, and it is nice of him to come down to testify.

Colonel, what you and the gentleman from Missouri have said is not quite in harmony. The gentleman from Missouri says we want the Government to do what it can; that is not what you said, though. You said the Government should do whatever is necessary. There is quite a difference between the Government doing what it can, and the Government doing whatever is necessary, because whatever ought to be done may be more than the Government can do. I wonder if you have any comment on whether your statement is correct, or whether the comment of the gentleman from Missouri is correct.

Mr. SCHRAMM. I think the Government can do anything.

Mr. JUDD. I heard you say that, and I want to discuss that also.

Mr. SCHRAMM. I think it can.

Mr. JUDD. And still have a free competitive economy?

Mr. SCHRAMM. Most certainly. I mean, if a major problem faces the Government of the United States, as it did at the outbreak of this war, I think it is possible for the Government, with the support of the people, to lick that problem. I think it is possible for the Government to lick the problem of unemployment, but I think there has to be some advance planning, just as in my business I plan against a possible declining market.

Mr. JUDD. You spoke about your grandfather having a hard time, going down on the front steps and meeting his creditors, or persons

starting a run on the bank—I have forgotten just what you did say—and assuring them so and so. Yet, he couldn't have licked the problem if he hadn't had the resources. How can the Government lick it without adequate resources?

Mr. SCHRAMM. I think the Government has the resources.

Mr. JUDD. You think there is no limit to the amount the Government should and can borrow?

Mr. SCHRAMM. I don't mean monetary resources. I think it can be planned in advance so that the Government need not spend exorbitant amounts of money to prevent unemployment.

Mr. JUDD. Would you object to removing from the bill the pledge that the Government will do whatever is necessary and eventually underwrite—

Mr. SCHRAMM. Certainly not. I wouldn't agree that the Government ought to spend X amount of money, any amount of money.

Mr. JUDD. That is what the bill says.

Mr. SCHRAMM. To me, the bill says—and if I am wrong I will be glad to be corrected—but as I read the bill, it merely says the Government is going to assume responsibility for the economic welfare of the people—

Mr. JUDD. But it says the Government has the further responsibility to "provide such volume"—that is X volume, whatever is necessary—"of Federal investment and expenditure as may be needed to assure continuing full employment." That is a blank check. We don't have any idea whether that is going to be 1,000,000,000 or 300,000,000,000. We don't know what the state of the exchequer is going to be, say 10 years from now, when it becomes necessary to provide such expenditure and investment. I wonder if you believe the Government could spend any amount, that there is no limit to what it could spend.

Mr. SCHRAMM. No; I don't believe that.

Mr. JUDD. That is what you said.

Mr. SCHRAMM. It is not what I meant to say, if it is what I said.

Mr. JUDD. I understood that was what you meant when you said, for example, that the Government could lick anything. You also said your cash registers during the war were busier than ever before because employment was at its peak. May I ask why you think employment was at its peak?

Mr. SCHRAMM. Well, it was obviously due to the war, due to the Army, Navy, and lend-lease procurement programs; that was what I was working on.

Mr. JUDD. It was at its peak because of Government management?

Mr. SCHRAMM. I don't believe we could have won the war without the kind of legislation that was passed that enabled the Government to take certain steps.

Mr. JUDD. Why do you think employment was at its peak during the war?

Mr. SCHRAMM. Because of the business.

Mr. JUDD. Where did the business come from? Where did the money come from?

Mr. SCHRAMM. It came from the war, the demands of the Army and the Navy.

Mr. JUDD. Where did the the Army and the Navy get the money with which they bought their goods?

Mr. SCHRAMM. From the people.

Mr. JUDD. Taxes.

Mr. SCHRAMM. Sure, and war bonds, and indebtedness.

Mr. JUDD. Borrowed it?

Mr. SCHRAMM. Yes.

Mr. JUDD. So employment was at its peak because of borrowed money. Anybody can lick any problem if he borrows enough money. A man goes out and puts mortgage after mortgage on his farm. As long as he can get somebody to put up another few thousand dollars he can go ahead and get the new radio or new automobile he needs. But have we really solved our problem when it is done on borrowed money?

Mr. SCHRAMM. I have confidence that Congress is not going to authorize unnecessary expenditures, but I believe such expenditures as are necessary in the eyes of the Congress, at the time this problem is analyzed, and it is decided there must be so much money spent, then I believe that amount of money will be provided, and it will be provided by the same people who, if it were not provided, would be in a pickle, selling apples on the corners, as they did in the early thirties.

Mr. JUDD. I will go along with you that far, that the Congress will examine the situation, that the Congress won't make any expenditures that are not necessary, but I have not yet been able to get to the place where I can agree that we should guarantee to make expenditures whose size I cannot foresee and at a time when I cannot foresee what the condition of the Treasury will be, out of which that expenditure must come. If one clause in the bill were removed, I wouldn't have any difficulty. I can promise to try to provide such volume as may be necessary, but how can I pledge flatly that I will achieve it? I don't know what that volume will be, I don't know what our resources will be. I don't see how I could with integrity make any such commitment. It would be irresponsible, it seems to me, to make any such commitment.

Mr. COCHRAN. Would you have any objection to planning?

Mr. JUDD. No. I am for it.

Mr. COCHRAN. Yesterday we had an example of that. Yesterday, within a few minutes, without a negative vote, the House passed a resolution providing that what we had already done several years ago, authorizing and directing appropriations of \$1,500,000,000, at the rate of \$500,000,000 a year, the money to be matched by the States, for the construction, maintenance, and repair of roads, and at which time we said we would wait until the war was over—yesterday, in a few minutes, and without a negative vote, the House passed a resolution providing that we lift that provision that was in the roads bill.

Mr. JUDD. 'Yes.

Mr. COCHRAN. And that we can proceed immediately during the present fiscal year to spend \$500,000,000, matched by the States, in road construction. There was clearly an instance of future planning.

Mr. JUDD. And, as you say, nobody was opposed to it, and we prepared it long before we had this bill before us.

Mr. COCHRAN. That is what this bill proposes to do, in my estimation.

Mr. JUDD. I am for every bit of it except the unqualified pledge to do something which I don't and can't know the size of. That is the reason I have a little difficulty with Mr. Schramm's statement that the Government can lick any problem, or do anything it pleases. Sure

it can, if it will do it the Hitler way. Hitler solved unemployment, there is no question about it, but the people lost their freedom in the process. I merely wanted to ask if you thought the Government could lick anything without borrowing money to the point where the Government itself goes down. Most democracies have fallen on the rock of fiscal insolvency, and my first responsibility, as a Member of Congress, next to making sure we didn't lose the war, is the solvency of the United States Treasury. I know the Treasury is not going to be solvent if there is too much unemployment, but I know that taking unlimited money to solve unemployment, or to try to solve it, might also wreck the Treasury eventually. There comes a place where the law of diminishing returns becomes effective, where you can't borrow more without endangering the solvency of the Treasury. I fear if I voted for this bill as it is I would be making a commitment that even though I came to that red light, I would still have to go by that red light. I hope we will never get to it, and I think the bill is designed to prevent our getting to it, but I don't see how I can make any such commitment without being irresponsible.

Mr. SCHRAMM. I don't think there is anything more important facing the country today than domestic economic instability. I am very much concerned about the fiscal position of the Government but I think that the Congress will always see to it that the Government does not spend more money than it can raise, or take on heavier debts than it should. I haven't any great worry about Congress spending more money than it should. As I see this bill, it doesn't commit the Congress to any specific amount, and I don't believe you could commit the Government, at this stage of the game to any specific amount in order to lick unemployment. It simply says that it is the intent of Congress to place unemployment pretty nearly at the top of its list of problems that we don't want and are going to prevent having, and in order to do that we are going to plan, not to commit ourselves, but to tell the people, small businessmen, the consumer, the worker, the veteran, and industry, that if there is any one thing the Government wants to insure, it is full employment. Not 100 percent. But an opportunity to work for all of those who want that opportunity—an opportunity to earn a living.

Mr. JUDD. I don't think there is a person in the Congress today who disagrees with that.

Mr. SCHRAMM. I think that is all this bill does. It is a statement of intent, and if the bill works there need be no expenditures. There may be some expenditures. What they are, I don't know, and I don't believe anybody in the country knows.

Mr. JUDD. We don't know, and that is the reason some of us cannot pledge when we don't know.

Mr. SCHRAMM. That is a terrifically defeatist attitude, it seems to me.

Mr. JUDD. I don't think so. I think it is a responsible attitude.

Mr. SCHRAMM. I have, in my own business, to take chances every year, serious financial chances—expansion of facilities, purchase of materials. It is the same general principle. The Government did it all during the war. It is not taking a chance, actually, but if you insist it is taking a chance, I say, if it isn't worth taking a chance to secure economic stability for the country, then I can't see that the

expense we have been put to to lick Hitler has been worth while.

Mr. JUDD. What you are saying is what the bill says, that your expenditures are going to be solely determined by your need, regardless of your resources. I think everybody that is responsible has to plan his expenditures on the basis of both need and resources—meet the need, so far as he can, within the limit of his resources. This bill says, "Such volume as may be needed," utterly apart from what our resources may be at the moment. You can't plan your budget in terms of need—"I need so-and-so"—if you haven't the financial backing to carry it out. You balance your resources with your need. This says, no matter what our resources, we will spend whatever is needed.

Mr. COCHRAN. Doctor, hasn't the Congress, or the Government, by setting up the Smaller War Plants Corporation, already laid down a policy for helping create employment? We directed the Smaller War Plants Corporation to go out and help small business to expand, for the purpose of employing more people. Now, we are doing that today within the limits of the amount of money we gave to the Smaller War Plants Corporation.

Mr. JUDD. But we didn't tell them, "No matter how much you need, we are going to give it to you."

Mr. COCHRAN. They remain within the limits of the amount of money appropriated by Congress.

Mr. JUDD. Yes; but as I see it, in this bill I pledge myself to appropriate whatever may be needed.

The CHAIRMAN. Colonel, do you see anything in this bill except the creation of the joint congressional committee, that the President isn't already authorized to do?

Mr. SCHRAMM. I confess that I have been awfully busy during the last 3 years, working for the War Department, and I have enjoyed that experience—I have gotten something out of it, and I think I have made a little contribution. The thing about it that I regret is that I haven't had time to keep posted on anything other than War Department affairs. I haven't been able even to keep posted on all the War Department affairs. I can't answer that question, because I don't know what the President has authority to do. I am not a political scientist.

Mr. COCHRAN. Will the chairman yield?

The CHAIRMAN. Yes, sir.

Mr. COCHRAN. Isn't it fair to say, at the same time, that whatever the President is doing now or has the power to do, he is doing under the War Powers Act, and under the provisions of the act itself that act expires 6 months after the expiration of the war?

The CHAIRMAN. No. Under the Constitution the President has the authority to transmit messages, and recommendations, and budgets.

Mr. COCHRAN. Oh, that is different.

The CHAIRMAN. And that is what this is.

Mr. COCHRAN. That is perfectly true, but he hasn't the power, unless Congress itself enacts legislation, to carry out his suggestions.

The CHAIRMAN. But what I am talking about is, this bill does not do anything to carry out the suggestions of the President, so far as employment is concerned, unless it gives him merely the authority to appoint a few statisticians and economists and clerks in the Budget Bureau.

Mr. COCHRAN. It does give the power for planning—advance planning.

The CHAIRMAN. He already has the power to do advance planning under the Constitution.

Mr. COCHRAN. But he can't operate unless you give him some legislation of this character, along this specific line.

The CHAIRMAN. If this bill were to become law today the Congress would have to appropriate money for specific projects to give work to people before anybody could be put to work.

Mr. COCHRAN. Do you mean to tell me that the Department of Commerce, the Public Works Division, the Engineers of the Army, and other agencies of the Government now existing and having appropriations, don't have divisions that could carry out the provisions of this act with reference to planning?

The CHAIRMAN. I say they can do it without this act; they are doing it.

Mr. COCHRAN. But if we specifically laid down the policy that we want them to do it, then they will go ahead and do it, and not wait until the last minute. Take, for instance, Mr. Whittington's committee, the one of which he is chairman; that has laid down a program that will take hundreds of millions of dollars to carry out, but the legislation Mr. Whittington has brought into the Congress it has already passed and has authorized that expenditure.

The CHAIRMAN. And before this bill was introduced.

Mr. COCHRAN. That is authorized. That is with reference to flood control. All we must do to carry out that authorization is to appropriate the money. Mr. Whittington's committee planned in advance; it required the Engineers of the Army to make a report on every project in which they were interested; they held hearings and had them down there to explain their recommendations, and the committee either approved or disapproved of their recommendations. Isn't that true, Mr. Whittington?

Mr. WHITTINGTON. Yes.

Mr. COCHRAN. Isn't that a fair statement?

Mr. WHITTINGTON. Yes.

The CHAIRMAN. And if this bill were law, that same procedure would have to be followed. That is what I am talking about.

Mr. COCHRAN. We could do it with reference to other types of planning.

Mr. JUDD. And it was followed before.

The CHAIRMAN. It has been followed throughout the history of Congress. We have been accused of being derelict in our duty in not planning. I think the record will show that this Congress has done as much as any previous Congress to give people employment. We are now considering the MVA. I don't know what side you are on—

Mr. COCHRAN. What is that?

The CHAIRMAN. The Missouri Valley Authority.

Mr. COCHRAN. Congress hasn't passed on that.

The CHAIRMAN. We are studying it. They are holding hearings on it in the Senate today.

Mr. COCHRAN. The Senate is holding hearings. I am the author of the House bill.

The CHAIRMAN. That is planning. Everything has got to go through the regular legislative committees.

Mr. COCHRAN. Now, wait; I think you are making a mistake. I think there is some authorization in this bill to a certain extent.

The CHAIRMAN. If there is, I would like to see it. I have contended that there must be some authorization in here or the bill is absolutely meaningless.

Mr. COCHRAN. There is some authorization, advance planning, and so forth.

The CHAIRMAN. I want to see where that authorization is in the bill.

Mr. COCHRAN. In the general provisions of the bill laying down the policy.

The CHAIRMAN. You mean it authorizes an appropriation?

Mr. COCHRAN. If a condition exists that requires the Government to step in, to plan in advance, it is an order to do so.

The CHAIRMAN. Well, if it authorizes an appropriation—

Mr. COCHRAN. Why could you not appropriate to carry that out?

The CHAIRMAN. If it does, I want to know, because I think that has a very material bearing on whether or not we should pass this bill. On page 12, section (d) line 11, it says:

The carrying out of, or any appropriation for, any program set forth in the national budget, unless such program shall have been authorized by provisions of law other than this Act.

In other words, you still, according to my interpretation, have to go through the regular procedure.

Mr. LAFOLLETTE. This bill doesn't authorize any appropriation; there is no question about that.

Mr. COCHRAN. It authorizes departments to prepare.

The CHAIRMAN. It tells departments to do something they already have authority to do.

Mr. COCHRAN. They have authority to do lots of things they don't do, but when you lay down a law like this, this is a directive to the departments to go ahead and do it.

The CHAIRMAN. In other words, we have had a lot of experience with Government planners, and if you just give them blanket authority, without any limitation, to plan, they certainly are not going to plan themselves out of a job. They will just keep planning all the time. They could plan to have jobs by having inspectors in your store all the time. You wouldn't want that.

Mr. SCHRAMM. I don't think it is necessary.

The CHAIRMAN. I don't either, but that could be done.

Mr. COCHRAN. You don't think Congress would do it?

Mr. RESA. Will the gentleman yield to me? While it may be true that the departments of the Government now have the power and authority to do things needed in a crisis to provide employment, isn't it also a fact that the coordination of the efforts and activities of the different departments has always been a problem, and isn't it also a fact that this bill is a long step toward coordination of the thought and planning and the activity of the different departments toward a common end, a coordination that probably could not be accomplished without this legislation?

Mr. SCHRAMM. I think that is right.

The CHAIRMAN. Well, if the Budget and Accounting Act does not provide for that coordination, we should repeal the Budget and Accounting Act.

Mr. COCHRAN. If you have studied the Budget and Accounting Act, you are making a pretty strong statement, when you say we should repeal the Budget and Accounting Act solely on that ground.

The CHAIRMAN. I say that if it doesn't provide for coordination of Government functions and to bring the expenditures of the Government departments under budgetary control and give the President the right and the duty to gather up all the strings of the different agencies that are competing with each other, then it is a failure. I don't think it is. I think it is a very wise law.

You stated a few moments ago that your cash registers had been busier the last few years than ever before in the history of your company. Of course, you realize those cash registers are just like the bonds we have been buying; they are mortgages on future generations, the earning power of unborn children. Isn't that true?

Mr. SCHRAMM. I don't quite follow you, sir.

The CHAIRMAN. Well, we owe \$262,000,000,000 today. We will probably owe \$300,000,000,000 before the first of the next fiscal year, and we just don't have that much money in this country. We are borrowing and our children will have to be paying on the war debt for a hundred years; isn't that true?

Mr. SCHRAMM. Sure; but the ringing of the cash registers in our store means to me by far the greatest amounts of money being paid from my business to the Government, and also means by far the largest individual taxes being paid by the individual workers.

The CHAIRMAN. That is right; just about 50 cents out of every dollar that was spent last year was raised by bonds sold by the Federal Government. We collected around 45 or 46 billions dollars and spent about twice that much.

Mr. SCHRAMM. I can't argue the economics of it, but I can say, without a shadow of a doubt, that I want busy cash registers.

The CHAIRMAN. Sure.

Mr. SCHRAMM. And full employment; good wages.

The CHAIRMAN. Sure, and everybody does.

Mr. SCHRAMM. I don't believe anybody in the country doesn't want that.

The CHAIRMAN. But do we want to continue that by borrowing money against the labors of children yet unborn?

Mr. SCHRAMM. I don't think it is necessary to borrow huge amounts of money to do that. I don't believe this bill says you have got to spend a lot of borrowed money to do that. I think this bill says, in effect, that Congress is taking the leadership. Maybe this legislation is unnecessary. Maybe, as you say, there isn't any need for the bill, because the authority is already in the hands of the administrative officers and so forth. I don't know whether that is true or not. But even if it were true, I would like to see this bill pass, as indicating that the Congress clearly take a stand against unemployment, and directs other officers of the Government to do certain things in advance planning. In effect, buying an insurance policy at a very low cost now instead of waiting and hoping that these departments do what they ought to do, and hoping that business can do it, or that the

farmers can do it, or the veterans. I think that the farmers and the veterans, and the small businessmen and big businessmen, who think seriously about this matter, and are looking out for their Nation's interests as well as their own best interests, I think they would like to see Congress take a strong affirmative stand by passing such a bill as this, which to me does not assure the expenditure of vast amounts of money.

The CHAIRMAN. Of course, if I thought it did not assure the expenditure of vast sums of money, I wouldn't have any objection to it at all, but I am afraid it does.

Mr. SCHRAMM. If it does, then I think it is cheap insurance still.

Mr. COCHRAN. Do you feel that if we have full employment, which means a large increase, ultimately, a very large increase in taxes, that after the war expenditures are over, that we can support our Government then without borrowing any more money?

Mr. SCHRAMM. I think the only way we can support our Government is by having full employment and good business.

Mr. COCHRAN. And as that money is spent, as the people earn the money and spend the money, the Government collects additional taxes by reason of that expenditure; isn't that true?

Mr. SCHRAMM. Yes, sir.

Mr. COCHRAN. Coming back to your statement, Mr. Chairman, the Secretary of Commerce has made a statement with reference to various countries throughout the world wanting lists and information about tools and so forth made in this country. He is calling the attention of the businessmen of this country to the needs of these foreign countries. You are going to hear comment from the commentators, and probably editorials in papers. But that has been going on as long as I can remember, ever since we set up the Bureau of Foreign and Domestic Commerce.

The CHAIRMAN. That is right; we have been planning.

Mr. COCHRAN. We used to get out a pamphlet, issued by the Bureau of Foreign and Domestic Commerce, notifying the businessmen of this country of the needs of other countries of the world, and that is the reason we keep commercial attachés in all countries of the world.

The CHAIRMAN. I say we are already doing those things.

Mr. COCHRAN. But you watch and see if somebody doesn't say that Mr. Wallace is trying to pass on to foreign countries information they should not have.

The CHAIRMAN. There is always a division of opinion on everything. You talked about planning. Dr. Judd, a few moments ago, referred to the planning of Hitler. They had, certainly, some very efficient government planning over there. They had no unemployment. But you wouldn't want our country to go into that kind of security, would you?

Mr. SCHRAMM. If I did, I wouldn't have been doing what I have been doing—Army service.

The CHAIRMAN. They exchanged their liberties for temporary security.

Mr. SCHRAMM. Just because the devil does some planning is no reason why a saint should not do some planning. Planning in itself, I think, is awfully smart business.

The CHAIRMAN. I certainly think so, too. I think it is smart business, but you don't want the Government to do all the planning for your business, do you?

Mr. SCHRAMM. No.

The CHAIRMAN. You don't?

Mr. SCHRAMM. No.

The CHAIRMAN. That is what I thought. You don't want the Federal Government to tell you that you can't sell but so many commodities per year in order to keep from glutting the market and satisfying the desires of the people who want to buy clothes and washing machines, and things like that?

Mr. SCHRAMM. I don't believe that is necessary to prevent unemployment. I think it was necessary to a certain extent during the war.

Mr. RESA. But that necessity was not related in any way to employment. It was related to the—

The CHAIRMAN. Materials.

Mr. RESA. Sufficiency of materials.

Mr. SCHRAMM. Sure.

Mr. RESA. And other things other than employment?

Mr. SCHRAMM. That is right.

The CHAIRMAN. But with our capacity to produce today we could produce many more things—we could produce more automobiles in 2 years than the market could absorb. Then you are going to throw a lot of people out of jobs. Would you favor putting a ceiling on the number of automobiles to be manufactured?

Mr. SCHRAMM. Well, again I am not an economist, but I have the conviction that increased production and increased employment are good and not bad. I don't think it is an evil. I am for increased production.

The CHAIRMAN. But you wouldn't want to increase that production to the point where the price of the goods sold would drop to where it wouldn't pay a decent wage to the employees and a fair profit to the employers?

Mr. SCHRAMM. I don't think that is inherent in increased production.

The CHAIRMAN. You think, if we would go ahead and produce 20,000,000 automobiles next year and 20,000,000 automobiles the year following that that would be good business?

Mr. SCHRAMM. I can't speak for that quantity, but I am for increased production. I think more production is a healthy condition and not a dangerous condition.

The CHAIRMAN. We have that problem now in cotton. We produced a lot more cotton than the market could absorb. We are trying to find some way to get rid of 12 or 14 million bales of cotton. We produced more than we could consume in this country. Would you say it would be wise to continue to produce 15 or 18 million bales of cotton per year?

Mr. SCHRAMM. I am sorry I can't answer that question, because I don't know enough about it.

The CHAIRMAN. You don't think that would be good business for the cotton farmer of the country?

Mr. SCHRAMM. I can't answer the question. I am sorry, I don't know.

Mr. COCHRAN. In reference to that cotton, if those engaged in the raising of cotton had realized the situation which I think you realized, and which we have all realized for years, and would have engaged in diversified farming and not produced so much cotton, or if they had found new uses for cotton, they probably would not have this problem. You read where Goodrich is going to make a tire that is going to outlast the automobile. What is he going to make it out of? Out of rayon. Now, if through research of the cotton industry they had found a way to make tires out of cotton that would outlast an automobile you would be sitting pretty wouldn't you?

The CHAIRMAN. We might be, but it just didn't happen that way. But if you are going to continue to let something be overproduced that isn't economically sound for the welfare of the country—if you take this full employment business into consideration, when your cotton falls down, you have a pretty sick economic situation in the South. I don't think the taxpayers of the United States are going to continue to subsidize cotton. I think Mr. Whittington will agree on that.

Mr. WHITTINGTON. I will talk to you about that when we get to the cotton program. I think we ought to continue and let this witness finish his statement. With all due deference, we are not getting anywhere.

Mr. LAFOLLETTE. Mr. Schramm, you understand by this legislation, I think, that it calls for a national budget, which is to be prepared largely in the executive branch of the Government. That is right?

Mr. SCHRAMM. Yes.

Mr. LAFOLLETTE. And it also contemplates a recommended legislative program which will, if possible, eliminate the necessity for national expenditures; is that true?

Mr. SCHRAMM. Yes.

Mr. LAFOLLETTE. And that the purpose of it is to reduce, in any event, national expenditures.

Mr. SCHRAMM. Yes.

Mr. LAFOLLETTE. And you understand, I think, by this legislation that the national budget of prospective investment and employment and legislative ideas is simply submitted to the Congress by the President as a program; is that right?

Mr. SCHRAMM. Yes; that is as I understand it.

Mr. LAFOLLETTE. So that in any event, when the time came to judge the amount of national expenditure, the Congress would have to make the determination in light of the fiscal condition of the country and the recommendations with reference to taxation which were presented to it at that time; is that right?

Mr. SCHRAMM. Yes.

Mr. LAFOLLETTE. So that 10 years from now the Congress still has the right to determine what extent of Federal expenditure it would make.

Mr. SCHRAMM. That is as I see it.

Mr. LAFOLLETTE. As you understand this legislation, and as I understand it, there is no commitment now which does anything more than set a guide or policy for the Congress to follow in the future.

Mr. SCHRAMM. That is right.

Mr. LAFOLLETTE. I think that if the people supporting this bill will be intellectually honest about it, that we have to admit that although there is a pledge here in subsection (e), section 2, page 3. [Reading:]

To the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal expenditure and investment as may be needed to assure continuing full employment—

but there is the definite limitation in here that the Congress shall hereafter have to implement by legislation in each year just what the congressional program is going to be.

Mr. SCHRAMM. Yes.

Mr. LAFOLLETTE. So that if there is a pledge, certainly the pledge is limited by the language of this bill, so that I can't see—I don't know whether you can—how by the passage of this legislation we definitely adopt a policy holding out to the world that we are going to wreck the credit of the United States. Do you see that?

Mr. SCHRAMM. I don't. I agree with you entirely on it.

Mr. HENRY. Would you yield?

(There was thereupon discussion off the record.)

Mr. LAFOLLETTE. I yield, yes.

Mr. HENRY. Speaking, on page 2, section (e), for example, if I promised you on the 1st day of December that I would buy your automobile, and then on the first day of December you said you wanted \$2,500 for it, and I didn't have money enough, it seems to me there would be a breach of pledge on that agreement.

Mr. LAFOLLETTE. I don't think so, if at the same time in the promising agreement you said that hereafter I will have to decide whether or not I want to buy this automobile or not. I think you have got to take it the way it stands. I think definitely the limitation as against this promise is found in the fact that future Congresses must implement this legislation. Now you could say to me, "but you agreed to buy this," and on the face of that pledge you could examine whether or not I am faking the fact that I can't buy it, and put me in low repute. But I don't think, if at the time I make that pledge, I say that next June I am going to determine whether or not I can pay this \$2,500, that you can accuse me of a breach of faith.

Mr. HENRY. If you knew I was financially able to borrow the money?

Mr. LAFOLLETTE. Yes; if you are financially able to borrow the money, I would expect you to. But if you are not financially able to borrow the money, I wouldn't expect you to. And I think that just gets down to what I said, that a future Congress shall determine, in the light of the condition of the country and its economy at the time, just what they are going to do. However, I am trying to clarify this thing as against the two broad statements, to my mind, being made by its proponents, that it guarantees something, as against the theories being advanced by some of its opponents, that it is going to wreck the country. I think the provision for congressional action in the future must be read into any promise that is in here.

Mr. SCHRAMM. Sure.

Mr. LAFOLLETTE. I think it is good to this extent; that it sets the policy for whatever is adopted, so that a man who is elected to Congress in the future knows that it is the policy of the Government to provide

full employment, and up to the extent of borrowing, if the fiscal conditions are such that you can, and I think that is all this is about. Mr. Schramm, did you ever go into the matter of Government cooperation or coordination? Do you know anything about that?

Mr. SCHRAMM. I have been in Washington almost 4 yours, and I have seen a good deal of it.

Mr. LAFOLLETTE. The reason I ask that is that I have a bill on this same subject that follows this same 2202. My bill is 4181, and has just been referred, and the chairman has been kind enough to say that in the course of these hearings I may discuss some additional provisions. Which I appreciate very much, Mr. Chairman. This pending legislation provides in section 4:

The national budget shall be prepared in the Executive Office of the President, under the direction and supervision of the President, and in consultation with the members of his Cabinet and the other heads of departments and establishments.

I add in there—

and with the Joint Committee of the National Budget hereinafter established in section 5, or any subcommittee thereof which it may designate.

What I am trying to do is to see that as this budget is being prepared this committee of the Congress should be constantly advised and be in consultation with the executive department on what is being done. Does that seem to you as a worth-while attempt at coordinating the activities of the legislative and executive branches?

Mr. SCHRAMM. On the face of it; yes. I see no reason why it should not be.

Mr. LAFOLLETTE. I don't ask you to say yes. I just ask you to say what you think. We kind of lead witnesses, but you don't have to answer that way.

Mr. COCHRAN. Would you give any power to that joint committee?

Mr. LAFOLLETTE. If my colleague will read my bill he will find that I give all the power that the present bill does and more.

Mr. COCHRAN. You don't give any power to the joint committee to interfere with the carrying out of the laws of Congress with reference to the Budget, do you?

Mr. LAFOLLETTE. No, no; it is a little difficult for me to understand what my colleague is talking about.

Mr. COCHRAN. What I am talking about is this; for instance, if we pass a law and place a limit on the appointive powers of the President, that law is unconstitutional.

Mr. LAFOLLETTE. I say nothing about the appointive power.

Mr. COCHRAN. I understand.

Mr. LAFOLLETTE. Nothing about the appointive power.

Mr. COCHRAN. Well, the Budget and Accounting Act directs the President to do this.

Mr. LAFOLLETTE. Oh, no.

Mr. COCHRAN. But Congress steps in—

Mr. LAFOLLETTE. No, this act directs the President to do it. The Budget and Accounting Act hasn't anything to do with this act.

Mr. COCHRAN. The Budget and Accounting Act directs the President to submit a budget to the Congress every year, and he does, the first week in January.

Mr. LAFOLLETTE. I will call back the author of this bill, if he will be kind enough to come back, and I think he will agree with me that this is an additional budget, called the national budget and has nothing to do with the financial Budget of the Government. In section 7 it says:

The heads of departments and establishments shall, at the request of any committee of either House of Congress, furnish such committee, with such aid and information with regard to the national budget as it may request.

And I add:

And the President and heads of departments and establishments shall transmit and deliver copies of all communications or data relating to the preparation of the national budget which shall pass between them to the joint committee of the national budget, or any duly authorized subcommittee thereof.

In other words as the thing is being developed, I am trying to provide that this joint committee shall be advised, step by step, as it goes along, so that it has adequate information all the time, and is not required to act just within 60 days on something that has already been prepared over a year and then handed to them. In your business operations don't you try to work out similar coordination of information between those who are to act and those who are developing the material?

Mr. SCHRAMM. May I say something to that point?

Mr. LAFOLLETTE. Yes.

Mr. SCHRAMM. I am, as I have said, very much concerned about the lack of coordination in the Government; I was very much concerned about the lack of coordination, from time to time, in the War Department, and I did all I could in my small way to see to it that every other office in the War Department that had any remote chance of an interest in what I was doing was informed on what I was doing, and I insisted, so far as I could, that they inform me about what they were doing. I found several times, however, that you can have excessive coordination; that everybody is interested in everybody else's business, and some of us who were not familiar with army procedure, and thought we could cut all the red tape and that sort of things, unwisely at times, recommended coordination that, actually, had it been accomplished, would have contributed nothing to the objectives, and would have bogged down the machinery that much more. I think there may be excessive coordination. I don't know whether the coordination that you recommend—

Mr. LAFOLLETTE. Is excessive or not?

Mr. SCHRAMM. Is excessive or not; whether it is desirable from the point of view of the workings of the Government and how this would be implemented; whether it would be desirable that your suggestion be added to the bill or is undesirable. But, if as you say, it is feasible coordination and is not excessive coordination, I am 100 percent for it.

Mr. LAFOLLETTE. Of course, that is a question of fact for further discussion. But let me give you these elements that are apparent on the face of the legislation: The national budget provided for by 2202 and by 4181, shall be prepared by the executive and transmitted to the Congress at the beginning of each session, that is, in January.

Mr. SCHRAMM. Yes.

Mr. LAFOLLETTE. Then the joint committee of the Congress acts on it and must make a report by March 1. That is a little less than 60 days. What I am trying to do by this is that I think it is con-

templated that this joint committee of the Congress is a continuing body, and that as the plan is being developed in the executive department, the factual material should be deposited with this congressional committee, so that it does not have just the 60 days to act, but it has the benefit of the material as it is being gathered together and coordinated throughout the time that the executive department prepares it.

Mr. SCHRAMM. Yes.

Mr. LaFOLLETTE. My feeling is that that is not overcoordination. I don't ask you to form an opinion on it, but it is not the type of coordination you were referring to at all.

Now, just two more things: Bill H. R. 2202 provides for the determination of the gross national product and describes the dollar volume thereof as the full employment volume of production. I thought, in reading the bill, that it overlooked the fact that there is employment involved in services, so that in section 3 of the bill that I have, under (a) I have added language to make it read "gross national products and services," and then defined the objective being measured as "full employment volume of production and services," on the theory that there are many service activities which take up a considerable volume of employment, and that it is in the interest of reducing the Federal expenditure to also attempt to measure the service employment as well as the production employment.

Does that seem to make sense to you?

Mr. SCHRAMM. Again, on the face of it, it does.

Mr. LaFOLLETTE. Well you have just heard about it now for the first time. On the face of it, that makes sense to you?

Mr. SCHRAMM. Yes.

Mr. LaFOLLETTE. You know that in section 3 also of this act—and I think one of the best sections in it; and you can find it on pages 4 and 5, of 2202, subsection (b), if you will go down to line 10. You will see there that it says:

The President shall also include in such budget such recommendations for legislation relating to such program as he may deem necessary or desirable.

As I understand it, that is one of the better things about the legislation, certainly; that there is an attempt, then, in this budget to make certain coordinated legislative recommendations which are designed to reduce the amount of Federal expenditure, if carried out. In other words, as I see it from this—

Such program may include, but need not be limited to, current and projected Federal policies and activities with reference to banking and currency, monopoly, and competition, wages and working conditions, foreign trade and investment, agriculture, taxation, social security, the development of natural resources, and such other matters as may directly or indirectly affect the level of non-Federal investment and expenditure.

What obviously is being attempted, and this I think should be spelled out, is a coordinated legislative policy calculated to give business an understanding of what Government policies are going to be in a coordinated way over the next year.

Mr. SCHRAMM. Yes.

Mr. LaFOLLETTE. Now, I add in the bill which I have submitted, as things which should definitely be named, freight rates, industrial location and relocation, and rural and urban housing. I realize that

the present legislation by implication says those may be included, but don't you think that the question of industrial location and the question of more uniform freight rates would enter into any program having for its purpose the creation of full employment by private investment, and also should control any Government expenditure that was made?

Mr. SCHRAMM. Yes; but this is not a definitive list.

Mr. LAFOLLETTE. Oh, no; none of the list is definitive, but if we add in a definitive list important elements you rather guarantee they will not be overlooked.

Mr. SCHRAMM. I think if you are going to add those three, consideration ought to be given to spelling out more fully—

Mr. LAFOLLETTE. No; they are simply added in the existing language, so that it is still not a definitive list; it is not a limited list at all. All these other things are in. What I am trying to find out and ask you whether you agree with it is, if we are going to make an expenditure for housing, shouldn't it be proper to determine whether or not it is in the national interest that that housing be created in new locations where there would be newly located industries?

Mr. SCHRAMM. Sure.

Mr. LAFOLLETTE. Rather than to do a slum-clearance job, as we are doing now, in over centralized industrial areas, where you tear down a 4-story building and put up a 1- or 2-story building, which obviously cannot house as many people as the building you have removed, and a few selected, fortunate people, live in better houses, and the rest move to another slum area somewhere where there is also an over concentration of population for the facilities available in that area. Isn't that a part of our national policy if we are going to plan either Federal or non-Federal expenditures?

Mr. SCHRAMM. I think it is. I don't know that it is pertinent to this particular bill, or wise to add it; that is all.

Mr. LAFOLLETTE. If you are going to consider bankruptcy, monopoly, and competition freight rates certainly enter into that, don't they?

Mr. SCHRAMM. Sure, so maybe you don't have to spell it out. Maybe it should be spelled out. I don't know.

Mr. LAFOLLETTE. Is there any reason for not spelling it out if you spell out these other things?

Mr. SCHRAMM. Only that I think there is danger. I have found it true in the Government, since I have been in the Army, that there is danger in specifying and spelling out, when, by any remote chance, you omit one or two important segments.

Mr. LAFOLLETTE. But if these things are simply added to language which already indicates it is not a definitive list, then that danger is not present, is it?

Mr. SCHRAMM. I think it is.

Mr. LAFOLLETTE. Then, by that same reasoning, Mr. Schramm, we shouldn't put anything in here as a definitive statement.

Mr. SCHRAMM. It seems to me you are being more specific than the definition that is here.

Mr. LAFOLLETTE. You mean by adding three more categories I am being more specific than where you have eight categories?

Mr. SCHRAMM. It seems to me what you propose to do is on a little lower level than what is already included. I may be wrong about this.

Mr. LAFOLLETTE. I think you are wrong. For this reason, when non-Federal investment runs out, then under this bill we are all agreed there must be Federal investment, and if that is going to include roads, if it is going to include housing, if it is going to include elimination of stream pollution, isn't the question of whether it shall be the national policy to decentralize industry pertinent to that Federal expenditure?

Mr. SCHRAMM. Sure.

Mr. LAFOLLETTE. That is what makes me say you are wrong. Did you know that Sr. William Beveridge used an expression in which he said:

It is time for Government to quit dealing with business as though business were a separate sovereignty.

Mr. SCHRAMM. No, I didn't.

Mr. LAFOLLETTE. I think it is a good statement. You can either commit yourself or not. You may be charged with being a Communist, if you do. I am willing to take a chance. Doesn't that make sense?

Mr. SCHRAMM. It does.

Mr. LAFOLLETTE. In other words, Government operates for all the people, and it doesn't make treaties with business, but it has the privilege of controlling and directing the conduct of business in the interest of all its people.

Mr. SCHRAMM. I agree with that.

Mr. LAFOLLETTE. Thank you.

Mr. WHITTINGTON. Colonel, as I understand you, you feel that people generally in this country want to provide for continuous employment, they want to prevent unemployment, and they want to utilize private enterprise to provide that employment, and supplement it by Government support when private enterprise does not provide it, and for that reason, as I understand you, you favor generally the provisions of this bill, because you feel that those objections would be promoted.

Mr. SCHRAMM. I believe that is right, sir.

Mr. WHITTINGTON. As I understand you, you are in the mercantile business.

Mr. SCHRAMM. Yes, sir.

Mr. WHITTINGTON. What sort of business?

Mr. SCHRAMM. Retail dry-goods store.

Mr. WHITTINGTON. I understand you have a number of stores.

Mr. SCHRAMM. No; we have only one store.

Mr. WHITTINGTON. You said stores. One store, I see. It is not a chain?

Mr. SCHRAMM. No, sir.

Mr. WHITTINGTON. You feel that we should have not only a sound program of public works, but a program that could be expanded, and you think that those works, and the provisions to prevent depressions and booms, intermittently, and recurring, ought to be correlated and coordinated?

Mr. SCHRAMM. Yes.

Mr. WHITTINGTON. And you feel that this legislation would promote that?

Mr. SCHRAMM. I do.

Mr. WHITTINGTON. Now, in what respect will this legislation promote the coordination of the plan of the Government to prevent unemployment? Concretely, now, just put your finger on it and answer in your own way. I don't care to have you read anything; just give me your interpretation.

Mr. SCHRAMM. I say this bill is the first step, as I have said in my prepared statement.

Mr. WHITTINGTON. To do what? How will this bill provide for a correlation and a coordination?

Mr. SCHRAMM. Well, it establishes the joint committee; it directs that a national budget will be prepared, on which the economic stability can be appraised. It sets up a facility, as I see it, whereby widespread unemployment may be anticipated and specific remedies may, at such time as they are found to be needed, be established.

Mr. WHITTINGTON. Well, now, there is nothing new about that proposal. That means, instead of undertaking to solve our problems by utilizing existing machinery, we proceed to set up, in this bill, additional machinery without, in my judgment, stopping to see whether we can provide correlation and coordination by utilizing our existing committees and existing departments. I am just wondering if you wouldn't agree with the proposition that if we can attain that correlation and coordination by utilizing existing agencies, it would be better than establishing other agencies and committees.

Mr. SCHRAMM. If it can be done.

Mr. WHITTINGTON. Do you know of anything that would prevent the Chief Executive, under existing law, from asking the agencies that have been entrusted with public works, the agencies that have been charged with providing for trade and commerce, the agencies that have been established to prevent the abuse of the exchanges of the country, getting together and giving facts to him, and giving that coordination, so that he could submit reports to Congress to prevent any mistakes that are being made by any of these agencies, or to provide for other matters that are not being carried on by these agencies?

Mr. SCHRAMM. As I said, unfortunately I am not sufficiently familiar with existing law to answer that question.

Mr. WHITTINGTON. I see. Well, now, Colonel, the great depression followed 1929 in this country. That is the most recent depression that we have had, and the most severe, isn't it?

Mr. SCHRAMM. Yes.

Mr. WHITTINGTON. Wasn't that followed by the passage of constructive legislation, including the guaranty of bank deposits, including the Securities and Exchange Commission, to prevent gambling in stocks and the robbing of the people of what was said to be \$60,000,000,000 by the utilities, by legislation designed to aid agriculture, by treaties designed to promote foreign trade? Hasn't that been the whole purpose of the constructive legislation and the plans that we have devised in the last 10 years, to prevent just what occurred in 1929?

Mr. SCHRAMM. I think all of that legislation is so designed.

Mr. WHITTINGTON. That is right.

Mr. SCHRAMM. And was desirable. I think it came late. I don't want to see us face another depression.

Mr. WHITTINGTON. I agree with you that there ought to be a sound program of public works in advance, works that are really in the national interest and of national benefit, and that has been recommended to the Congress, has been suggested by members of the committees. Those public works are now on the shelf, with adequate plans. Reclamation in the West, national flood control, national highways. We authorized the development of plans for public construction and studies along that line, so that we are trying to make these definite permanent plans already in advance to avoid the necessity of having a conglomeration of plans that may not be in the national interest here, just because some committee comes out with a report, whereas we have an aggregate of these sound provisions made over the years. Isn't that better than some temporary proposition submitted by a committee?

Mr. SCHRAMM. I am not sure that it is. I am not sure that it is adequate.

Mr. WHITTINGTON. Well, wherein is that provision that we have made for public works inadequate at present?

Mr. SCHRAMM. Of course, I think this bill is not limited to public works. I am not sure how much public works will be necessary, and public works in itself won't, certainly, solve a serious unemployment problem.

Mr. WHITTINGTON. Assuming it is not limited to public works, what other concrete provision is made in this bill for giving employment?

Mr. SCHRAMM (reading):

Such volume of Federal investment and expenditure * * *

Mr. WHITTINGTON. That is exactly the point I come to now. When we have generally less unemployment in our country than we have had certainly for the last 15 years, we undertake to provide, without saying what they are, for Federal expenditures and for Federal investments. Isn't that true? We have less unemployment now than we have had for years, as a matter of general knowledge?

Mr. SCHRAMM. Yes.

Mr. WHITTINGTON. Generally, as a matter of common knowledge, every person that wants to work can get a job now, isn't that true?

Mr. SCHRAMM. I don't believe it is true today.

Mr. WHITTINGTON. What class of people that want work that you know of generally in your area or anywhere in the United States can't get work?

Mr. SCHRAMM. A lot of farmers, ex-farmers, mechanics, a great many women, 10,000 in number in my home town, are out of jobs.

Mr. WHITTINGTON. You are in Iowa?

Mr. SCHRAMM. That is right.

Mr. WHITTINGTON. You mean to tell me there isn't a widespread demand for the very first class that you mentioned in Iowa? They tell me, my friends and colleagues from Iowa, that there is the most desperate scarcity of labor that ever obtained on the farms of Iowa, and that if these former farmers would leave your towns and go back to the farms that scarcity could be relieved.

Mr. SCHRAMM. I refer to the 10,000 people out of work at the ordinance plant. I don't know how many of those 10,000 want an opportunity to work.

Mr. WHITTINGTON. Well, you are very fair. Those people have gone into those ordnance plants, and unless they go back whence they came and do the type of work they were doing, they will continue to be out of employment unless the Government goes in there and provides some kind of dole or temporary work.

Mr. SCHRAMM. I don't think there is any imminent danger of any widespread unemployment in this country in the immediate future but I am not an economist.

Mr. WHITTINGTON. You are very fair, and you have given us an example, in my judgment of the very undesirable situation that this bill would promote. You would lead, and the Congress would lead, those 10,000 people in your ordnance plants to believe the Government is going to provide them a job by expenditures and by investments instead of encouraging those people who were brought there from various sections of Iowa, and probably from other States, to go back home and engage in work where there is a desperate shortage. Isn't that one of the things we have to give careful attention to in a bill of this kind—the psychological effect of allowing those people to believe that we are going to give them a job if we have to do it out of the Federal Treasury instead of letting them go back where labor may be needed?

Mr. SCHRAMM. As long as we are talking about this specific area, those people in the Middle West, typical workers, who may be out of a job now, I think are pretty steady, sturdy, desirable stock.

Mr. WHITTINGTON. I haven't said a word about that.

Mr. SCHRAMM. I believe those people are going to find employment, and I am sure those people haven't their hands out, they don't want a Government dole, they don't want extravagant Government expenditures, and they don't think for a minute that Congress can assure Joe Doakes of a specific job. But they want very much to be assured by the Congress that it is its intent to do whatever is necessary to prevent widespread unemployment any place in the United States, because they know that if they are working on the farm, if they are working in a small manufacturing plant, if they are running a small business such as mine, they know that their steady income depends upon widespread employment of people all over the country.

Mr. WHITTINGTON. I think that is fair, and I think it would be fine for good citizens like you to call their attention to the fact that the Congress and the administration down here, in the past 12 years, has been undertaking to pass constructive legislation to prevent a recurrence of 1929. They have been doing that very thing by passing the legislation to which I referred and similar legislation which will occur to you, and if we undertake now to adopt a defeatist attitude and encourage those people out in your particular town, in that ordnance plant, people just as good as the people anywhere else in the United States—no better, no worse—typical American citizens, to depend on the Government rather than having them realize that they have to work out their own salvation and go back to where they had jobs, even though they came up there patriotically to work for the Government—if you keep saying to them, "No; you don't have to do that; the Government is going to provide a job," it will be a case of doing the people a lot more harm.

Mr. SCHRAMM. I don't think this bill tells Joe Doakes in Iowa that the Government is going to give him a job. I think it simply says

Congress very clearly takes the stand that unemployment is undesirable, and that if it becomes necessary the Government will take appropriate action to prevent it.

Mr. WHITTINGTON. That is right. We want to be realistic. These laborers are just as good as you or I; they are human. But, for instance, I smoke a cheap cigar. I asked my dealer yesterday what about it—I don't smoke any other kind. He told me that his manufacturer said that the people that operate the machines were quitting work and going home because they are assured by the Government under unemployment compensation that they will get as much money per week as if they continued to work. Those people are just as good as you and I; that is human nature. They have quit work, and the cigars are not being manufactured. My fear of this legislation is that in this language here that may mean anything, it may mean a lump-sum appropriation, it may be works that I might say were in the national interest and my colleagues might say were not, but at all events, it would be a Government appropriation and they would be assured of a job and continued in their desire to lean on the Government rather than take advantage of private enterprise.

Mr. SCHRAMM. Your cigar maker friend may be a better economist than I, and he may have the temper of the country better than I, but I think he is crazy.

Mr. WHITTINGTON. I don't care for that kind of an answer. You are an ex-Army officer. I think he is sane, and I think it is a reflection upon a type of people in this country who are just as good as you are, or I am, and who believe this sort of program will insure idleness and will encourage unemployment. I have no further questions to ask you if that is your view. In other words, if you have no more confidence in the average American citizen than that, I don't believe your views would be of very much use to me.

Mr. HENRY. Colonel Schramm, do you consider this bill, if passed, to be a promise on the part of the Federal Government to provide jobs for all who are unable to obtain work in private enterprise.

Mr. SCHRAMM. I am sorry; may I have that again?

Mr. HENRY. Do you consider this bill, if enacted into law, to be a promise on the part of the Federal Government to provide jobs for all who are unable to obtain work in private enterprise?

Mr. SCHRAMM. No.

Mr. HENRY. Then it is just as one of my colleagues said the other day, pious words, defining a policy on the part of the Government?

Mr. SCHRAMM. I think it is a little more than that.

Mr. HENRY. Now, there are certain policies and objectives set forth in the bill. Of these, what policies and objectives could not be carried into effect under existing law?

Mr. SCHRAMM. I am not sufficiently familiar with existing law.

Mr. HENRY. Well, there are many of us who believe that nearly all of the policies and objectives set forth in this bill can already be carried into effect under existing law. I was in hopes you could tell us why it was not possible.

Mr. SCHRAMM. I haven't heard Congress say, in effect, to the people of the country, that it believes it is their responsibility to take action, if necessary, to prevent widespread unemployment. I know that the Congress has taken a great deal of action, specifically ever since the dark depression days of the early thirties, that has aided and abetted

the cause of fuller employment, but I haven't heard the Congress on any one occasion make the kind of sweeping statement and assuring statement to the people that this bill does.

Mr. HENRY. You have emphasized that several times. I am wondering, then, if it would satisfy you if Congress would pass a joint resolution here, stating that the Congress is opposed to unemployment, and that they are going to do everything henceforth to prevent it. Would that satisfy you?

Mr. SCHRAMM. No; that sounds too much like campaign speeches to me. I should rather have the Congress say what this bill does say, which is that they definitely direct two or three things be done, that they establish a joint committee, and that the President and agencies in the cabinet see to it that some advance planning is made, that a national economic budget is developed, and that steps are taken to prevent the development of unemployment. I think this bill is far more specific than a resolution would be.

Mr. HENRY. Wouldn't that be duplication on the part of the Government? Because we already have that power.

Mr. SCHRAMM. I would like to see it reiterated. If it has been said before, I haven't heard it strong enough, and I think this is a pretty definite issue on which you should say either the Government is going to assume its responsibility for economic stability or is not, and I think it should assume responsibility and I think this bill says the Government will assume that responsibility.

Mr. HENRY. You are an employer, are you not?

Mr. SCHRAMM. Yes.

Mr. HENRY. Supposing some man came to you and said, "I like the way you do business. I have confidence in your integrity and in your financial strength and so forth. Therefore, Mr. Schramm, I want to make application for a job for life with you," and you see the mutual advantages in such arrangement, and so you hire that man for life. Wouldn't you feel that thereafter you would have a perfect right to direct his efforts and tell him what to do in your store?

Mr. SCHRAMM. Depending on the agreement, and depending on what sort of guy I am, and what sort of guy he is. I personally wouldn't ever want to completely control the life and destiny of any individual.

Mr. HENRY. No. But anything within reason.

Mr. RANDOLPH. You don't want the Government to do that either, do you?

Mr. SCHRAMM. No.

Mr. HENRY. No, no; within reason. You would feel you could tell him. "I want you to work at this counter today, and this one tomorrow." Wouldn't you feel you had that right?

Mr. SCHRAMM. Surely.

Mr. HENRY. Now, then, do you think it is possible for the Federal Government to guarantee full employment and an opportunity to secure work for those desiring and able to work without exercising the power to direct private enterprise, control local and State and Government expenditures, and assign workers to jobs?

Mr. SCHRAMM. I believe it possible.

Mr. HENRY. You believe it possible without that?

Mr. SCHRAMM. Yes. It calls for a definition of terms, of course, but I think it is possible.

Mr. HENRY. Do you think the national budget, with these expenditures mentioned in the bill, could be forecast accurately enough and far enough in advance to constitute a suitable guide to Government economic policy?

Mr. SCHRAMM. I am aware of the deficiencies and failures and shortcomings of statisticians, but I am also aware of the great need for statistical information, and I am aware of the fact that it has been useful and it can be improved, and I believe that it can be forecast—it can't be forecast 100 percent, but if we started now, I believe before widespread unemployment lands on us, we will have some pretty good figures, and the Congress would be able to use those figures intelligently and wisely.

Mr. HENRY. Could errors in the forecast required under the bill have unfortunate effects upon, first, opportunities for employment, second, business activities, third, the finances of the Federal Government? Do you think that could be possible?

Mr. SCHRAMM. Sure. They would have adverse effects, just as errors in my own calculations as to what I ought to do in the next 6 months could have serious repercussions in my business. But if I say that because errors might throw me in to tailspin I am not going to do any forecasting, I think my head is pretty far under the sands.

Mr. HENRY. Would you have exclusive confidence in these Government forecasts?

Mr. SCHRAMM. I would have greater confidence in them than I would in the Government if it had not attempted to forecast.

Mr. HENRY. And suppose it makes a serious error. Would it not have been worse than if they had never made a forecast?

Mr. SCHRAMM. It depends on how serious the error is. I can't go along with that.

Mr. HENRY. You know we have had serious errors made forecasts as to who was going to be elected President, and those men making those forecasts set themselves up as experts.

Mr. SCHRAMM. I am not one so defeatist as to say that because we have made a mistake we are not going to try.

Mr. HENRY. I am fearful of what would happen to the economic stability of this country if such a serious error were made.

Mr. SCHRAMM. I have confidence about Congress being able to appraise the validity and accuracy of the forecast and not make such serious mistakes as you fear.

Mr. HENRY. Congress is obliged to accept the Government's forecast as being accurate, I think.

Mr. SCHRAMM. I don't know that you would.

Mr. HENRY. What better source of information would we have?

Mr. SCHRAMM. I know that Congress has checked a lot of forecasts and figures that various agencies of the Government have submitted, and have found errors and corrected them. And thank God for it. I know of many.

Mr. HENRY. What effect could a Presidential announcement that good times or bad times were just around the corner have on the volume of expenditure planned by private persons or business concerns prior to such announcement?

Mr. SCHRAMM. I am sorry I didn't get that. Will you repeat it?

Mr. HENRY. What effect would a Presidential announcement that good times or bad times were just around the corner have on the volume

of expenditure planned by private persons or business concerns prior to such announcement?

Mr. SCHRAMM. May I have the privilege of seeing whether I get the question?

Mr. HENRY. Sure.

Mr. SCHRAMM. You are asking what effect Government pronouncements as to the likelihood of good business or bad business has on business?

Mr. HENRY. Yes; what effect would that have on the volume of expenditures planned by private business concerns and private individuals?

Mr. SCHRAMM. Well, if they are responsible forecasts, and frequently forecasts made by the Government are not accepted by business—

Mr. HENRY. Wouldn't we have to accept them as responsible forecasts?

Mr. SCHRAMM. Well, all business doesn't.

Mr. HENRY. You don't believe the Government should?

Mr. SCHRAMM. Some time they doubt certain figures and predictions. Certainly they doubt predictions made glibly, as sometimes Government representatives do make, unfortunately. They will doubt those figures and verify them for themselves. They have their own statisticians and experts.

Mr. HENRY. How about the small businessman like yourself. Wouldn't you take the Government's predictions as being accurate?

Mr. SCHRAMM. I wouldn't *carte blanche*. I would want to know who made them and how they were arrived at. Then I would match them against my own.

Mr. HENRY. Then you say you, yourself, wouldn't accept those predictions as accurate; am I to understand that?

Mr. SCHRAMM. I would have to see what the forecasts and predictions are before I could say.

The CHAIRMAN. Mr. Henry. You will recall the Director of the Budget himself said he did not believe one of the forecasts on the hog proposition. He is a hog raiser.

Mr. HENRY. That is right.

Mr. SCHRAMM. And I believe the Government is better able and is about the only agency that is able to forecast the over-all stability of the Nation. I think it is the Government's business to do it, and I think that it can.

Mr. HENRY. Do you think, Mr. Schramm, there is any difference between assuring the free exercise of the right of opportunity for employment and a guaranty of such right?

Mr. SCHRAMM. I don't believe I get that.

Mr. HENRY. I am just wondering if you can see any difference between assuring the free exercise of the right to an opportunity for employment and in guaranteeing such right.

Mr. SCHRAMM. Certainly.

Mr. HENRY. Can you tell me what that difference is?

Mr. SCHRAMM. To me, guaranteeing puts it on the line. It involves, reducing it to its simplest terms, a signature. A guaranty is a little stronger than an assurance. Perhaps not. Maybe we are playing with words. I don't quite get what you are driving at, sir.

Mr. HENRY. Well, the bill, does it not, assures the free exercise of the right to an opportunity for employment?

Mr. SCHRAMM. That's right. It says that.

Mr. HENRY. Now, what is the difference between that and guaranteeing such right?

Mr. SCHRAMM. Now, as a matter of fact, I don't believe—

Mr. HENRY. I don't see the difference, and I am trying to learn. It maybe I will support this bill.

Mr. SCHRAMM. I can't see that an individual, Joe Doakes, in Iowa, can be unalterably guaranteed a job he wants, but I believe that the Government could say that it will do everything necessary toward assuring him an opportunity of employment.

Mr. HENRY. But you don't think this bill does guarantee the right, is that it, to a job?

Mr. SCHRAMM. It is designed to that end.

Mr. HENRY. You don't believe the bill, then, does?

Mr. SCHRAMM. No; it is the first step. A lot more has to take place between the passage of this bill, if it passes, and the assurance to the individual that he will have an opportunity to work.

Mr. HENRY. Colonel Schramm, do you think it is reasonable to assume that public expenditures can be turned on and off with that precision of timing that would be essential in the successful control of business cycles?

Mr. SCHRAMM. Again, I am not an economist and I can't answer that accurately. I don't think, just offhand, it has to be 100 percent precise; that there are bound to be some business cycles, some better times, and some worse times.

Mr. HENRY. Certainly you don't claim to be an expert on these things, but you are a businessman and I have confidence in your judgment, and I just wondered if you thought it was reasonable to assume that these public expenditures could be turned on and off with that precision of timing that would be essential to the successful control of business. What is your own view? Do you think that is possible?

Mr. SCHRAMM. I have said that I don't think it has to be so precise. I do believe that the Government can take steps that will lessen the impact of low points on the graph.

Mr. HENRY. Do you think it is possible to base legislation on forecasts?

Mr. SCHRAMM. This legislation is not based on forecasts. Subsequently, legislation that may be necessary will have to be based to an extent on forecasts and on history and analysis, I would rather say.

Mr. HENRY. Is it your understanding that this legislation anywhere is based on forecasts?

Mr. SCHRAMM. I don't see that this legislation is based on any forecast, other than the possibility that we may have pretty widespread serious unemployment sometime.

Mr. HENRY. That is not my understanding of the bill. I thought it was necessary for the President annually to make certain forecasts.

Mr. SCHRAMM. It directs the President to make certain analyses of economic stability; yes. But the bill, as I read it, is not based on any forecasts. I think those forecasts that are proposed to be made would be the basis for possible subsequent legislation.

Mr. HENRY. Well, let us put it this way, then. If the bill does provide for legislation based upon forecasts, do you think that would be feasible?

Mr. SCHRAMM. Certainly.

Mr. HENRY. You do?

Mr. SCHRAMM. Certainly.

Mr. HENRY. That is all.

Mr. LATHAM. Colonel Schramm, as the head of a business, do you think that today it would be unwise to guarantee all of your war employees that you will keep them on 5 years from now, irrespective of your own financial condition at that time?

Mr. SCHRAMM. It depends on how I do it. I think it would be desirable for me to assure steady employment.

Mr. LATHAM. I didn't ask that. I said, Do you think it would be wise, and would you, as a businessman, write a contract that would guarantee to keep on for the next 5 or 10 years every employee you had during the war period?

Mr. SCHRAMM. No; I think that would be unwise.

Mr. LATHAM. All right. Do you think it would be wise for the Members of Congress today to guarantee to everybody in the United States who was willing and able to work that they should be kept on the public pay roll irrespective of the financial condition of the country 5, 10, or 15 years from now?

Mr. SCHRAMM. No; I don't, and I don't think this bill says that.

Mr. LATHAM. Now, if this bill has in it language that accomplishes that result, would you say that provision was unwise at this time?

Mr. SCHRAMM. I think so.

Mr. LATHAM. That is all.

The CHAIRMAN. Colonel Schramm, I believe you said you would not guarantee continuing to make shells at the ordnance plant in order to give those 10,000 people out there work.

Mr. SCHRAMM. I don't believe that I said that, but I certainly wouldn't favor our ordnance plant operating if the product was not needed.

The CHAIRMAN. You wouldn't favor a continuance of making airplanes in San Diego and other centers that have mushroomed in the period since 1940, just to furnish employment for people, would you?

Mr. SCHRAMM. Not if the product wasn't needed.

The CHAIRMAN. That is all I care to ask.

Mr. JUDD. Mr. Schramm, if this one paragraph here, which is the stumbling block to some of us, were modified from: "It is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditures as may be needed to assure full employment" to read: "It is the further responsibility of the Federal Government to do its utmost to provide such volume * * * would you object to putting in something like that? Would you feel it advisable to give us—to put it bluntly—an out on this pledge, in case our fiscal condition required it? You don't want us to deceive anybody.

Mr. SCHRAMM. That is right.

Mr. JUDD. You don't want us to make people believe we can appropriate unlimited amounts when, as the gentleman from Indiana said, we know perfectly well we won't, if it comes to a showdown. Shall we tell them that, no matter what happens, this is going to be provided; or shall we tell them in advance we are going to do our utmost to provide it, but, as I read a while ago, we have got to gage need with ability.

Mr. SCHRAMM. I think that is implicit in the bill, and in the history of the Nation.

Mr. JUDD. Would you object to making it explicit?

Mr. SCHRAMM. If necessary, I wouldn't. I think if you say you will do your utmost, that will be all right. I have said already that I think the Government can do anything.

Mr. JUDD. You don't feel there is any Member of Congress who doesn't want to do his utmost?

Mr. SCHRAMM. I can't believe there is.

Mr. JUDD. Surely, you don't expect us to make a pledge that we can do such and such a thing which is at the moment unpredictable. We don't know what the situation will be. We don't know what our fiscal capacity will be. To do our utmost—yes; I can go that far. I can't say that I will provide, because maybe I won't be able to.

Mr. SCHRAMM. I would be willing to say, myself, that the Government will provide, but if you feel you have to soften it to that minor degree that you will do the best you can, I have confidence that the Congress can and will do what is necessary. So I won't object on that. I don't think it is necessary, but it is O. K.

Mr. JUDD. We are in a position where we have to deliver.

Mr. SCHRAMM. That is right.

Mr. JUDD. We have to deliver on a promise. You wouldn't object, then, to some such language as that, that we make clear that this bill states for all the world to see that it is this Government's policy to do its utmost to assure continuing employment, and insofar as private industry and non-Federal expenditures are inadequate the Government will do its utmost to provide expenditures and investment to make up the deficit?

Mr. SCHRAMM. I would take your word on that.

The CHAIRMAN. Would you accept an amendment on page 3, line 11, after the word "expenditure" add the words "within its current revenues"? In other words, section (e) would read:

To the extent that full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure within its current revenues, as may be needed to assure continuing full employment.

Mr. SCHRAMM. No; I wouldn't.

The CHAIRMAN. You would favor a continuance of deficit spending?

Mr. SCHRAMM. If necessary. I do it in my business all the time. I wouldn't hesitate to do it in the Government, if necessary.

The CHAIRMAN. Of course, in your business you don't obligate yourself to any indebtedness that would be 10 times over your current revenues, do you?

Mr. SCHRAMM. No; we haven't so far.

The CHAIRMAN. You couldn't last very long if you did that, could you?

Mr. SCHRAMM. We might be able to.

The CHAIRMAN. You think, in other words, the Federal Government, already owing \$265,000,000,000, if we were to spend \$30,000,000,000 a year to insure full employment, over and above our normal expenditures for War, Navy, agriculture, veterans, and so forth, we could continue to survive and pay off our war debt?

Mr. SCHRAMM. I don't know, and I wouldn't be willing to say that any specific amount the Government could afford at any given time.

But I believe, when the time comes—if the time comes, and I hope it won't—and I think it is not necessarily upon us, I think this legislation will help prevent it—but if the time came when it was necessary to have further deficit spending by Government, if that were necessary, Congress would be able to decide that a certain amount of deficit spending is desirable and preferable to widespread unemployment.

The CHAIRMAN. You do, however, think that business could give more employment if their taxes were reduced, they could make some plant expansion?

Mr. SCHRAMM. I am not sure about that.

The CHAIRMAN. In other words, you don't think the size of the Federal debt has any effect on business?

Mr. SCHRAMM. Sure it has, but I don't know that a large Federal debt of its own prevents full employment.

The CHAIRMAN. That is all. Are there any other questions? If not, we thank you very much, Colonel, and the committee stands adjourned until Tuesday at 10 o'clock.

(Whereupon at 12:10 p. m. the committee adjourned to 10 a. m. Tuesday, October 2, 1945.)

FULL EMPLOYMENT ACT OF 1945

TUESDAY, OCTOBER 2, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES
IN THE EXECUTIVE DEPARTMENTS,
Washington, D. C.

The committee met at 10 a. m., Hon. Carter Manasco, chairman, presiding.

The CHAIRMAN. The committee will come to order.

We have this morning as a witness Dr. Carleton R. Ball, member of the legislative committee of the Council for Social Action, Congregational Christian Churches. Dr. Ball, will you sit by the reporter, please?

STATEMENT OF DR. CARLETON R. BALL, MEMBER, LEGISLATIVE COMMITTEE, COUNCIL FOR SOCIAL ACTION, CONGREGATIONAL CHRISTIAN CHURCHES

Dr. BALL. Mr. Chairman and members of the committee, may I say in preface that I have come through a series of depressions which I have not yet forgotten. I worked my way through college in the depression which occurred in the middle nineties, which some of you gentlemen may remember. There was a pretty heavy agricultural depression in the 1920's when we could have done some things that we did not do. We all know about the depression from 1929 on. So this thing to me is a really serious personal problem.

Now, for the Council for Social Action of the Congregational Christian Churches, I wish to read what they stated in June 1944 in anticipation of the problems that we have now confronting us [reading]:

We shall work for plans which provide for full employment both in private industry and in socially useful Government projects and reiterate the principle that every person capable of doing so has an obligation to give useful service to society.

Then I wish to read a statement which I prepared with reference to some of the principles lying behind the type of action which you are considering today, some of which principles, it seems to me, have not been fully appreciated yet in America, which is part of our trouble. The statement is headed "The right to employment."

First. There are certain truths fundamental to all social and economic legislation which are not yet generally understood and accepted in America. They must be repeated and emphasized continually in order to counteract much opposition before it can do harm.

Second. America is not yet universally agreed that there is a right to employment. We must continue to emphasize that fact until it is generally accepted.

Third. An influential part of our commercial and industrial world still insists that successive booms and depressions, the so-called business cycle, are inevitable. Our Congregational Christian Council for Social Action holds that this belief is an insult to the intelligence of America and an affront to the Christian conscience. We must continue to insist that depressions can be prevented until that belief gains acceptance.

4. Strong opposition still exists to what is loosely called "Government in business," as not being the American way. Let us remember that the founding fathers, still held to be good Americans, wrote into their new Constitution of 1787 the provisions that two business enterprises, the postal service and the highways (post roads) should be governmental and not private enterprises. If the other great monopoly utilities had existed in 1787, it is certain that they also would have been made Government enterprises. Let us teach the facts of American history until our people are informed and cannot be misled by selfish interests.

5. This question of governmental operation is minor to the full employment bill but is being used as a scarecrow by the opponents.

6. Many of the opponents of this and other social and economic legislation object strenuously to economic and social planning in general and governmental planning in particular. Governments, Federal, State, and local, are the creatures and servants of the people, created to serve the interests of all the people. What other agencies can possibly have a greater duty to plan for the general welfare? History shows that our speculative booms and succeeding depressions are the direct results of lack of planning and controls. We must emphasize these facts till all know them.

7. Some are opposed to this bill because it is not perfect, in their opinion. Probably there never has been a piece of perfect legislation. But there must be a start. An imperfect act can be amended but nothing can be done until some act is passed. Senator Hatch emphasized this fact in one of our social-action meetings when he said: "It is possible to insist on perfection and get nothing."

8. The Council of Social Action of the Congregational Christian Churches believes that we should make the start now, that this bill is a good start and should be enacted now, and that depressions, unemployment, and wholesale misery can and must be prevented.

Thank you very much.

The CHAIRMAN. Are there any questions?

Mr. COCHRAN. You understand, Doctor, that this bill simply lays down a policy?

Dr. BALL. Yes, sir.

Mr. COCHRAN. And it emphasizes that private capital is not to be interfered with in doing the job, but that if it develops later that private capital needs assistance in order to provide employment for those who want to work, then the Government and States, by advance planning, might have a program, if the situation requires, to come in and assist?

Dr. BALL. Yes, sir. That is the point I emphasized—the necessity for planning, that we should be ready when the time comes.

Mr. COCHRAN. You know that in laying down the policy the provisions of the bill are such that the President is requested to submit a budget, and then a joint committee of the Congress is to analyze that budget, and within a certain number of days make a report to Congress. Do you feel that if we had had an act of this character prior to the depression, seeing the depression coming along, we would have had advance planning that would have enabled up to help those that could not secure employment by securing some class of work that would have resulted in lasting improvements and we would not have been required to start the WPA by asking hundreds of thousands of men who were previously classified as white-collar workers to be raking leaves, and so forth?

Dr. BALL. I believe that this bill, or any bill of this type, has two real effects—one psychological and the other actual. If we had had a psychological effect to restore and to maintain confidence we would not have had that other depression, at least on anything like the scale we had. If you maintain confidence you have less need for governmental action or any other kind of official action.

Mr. COCHRAN. As time went along in the last depression and we set up the WPA and the PWA we engaged the unemployed to work on certain projects which proved to be lasting, but at the outset we gave them work, and the type of work was such that the purpose of it, as I understood it at the time, was to make the men feel that they were not on a dole but were actually earning what they received.

Dr. BALL. And rendering useful service. Preventing forest fires, for instance, and soil erosion.

Mr. COCHRAN. The bill as a whole, you say, meets with your approval?

Dr. BALL. I did not get your question.

Mr. COCHRAN. Do you say that the bill as a whole meets with your approval?

Dr. BALL. The bill, in its purposes, and what I think it will do, meets with the approval of our legislative committee and the council. As I said very distinctly here, no legislation is perfect. We do not think this is perfect. Some of us might think it is less perfect than it was when it started. I am not arguing that now. But we do think it is a good start.

Mr. COCHRAN. And you understand fully that it does not provide Federal aid for the operation of plants, factories, and so forth?

Dr. BALL. That is my understanding.

Mr. COCHRAN. And you further understand that it does not change the existing procedures in appropriations; that the existing procedures in appropriations are not to be affected by the passage of this legislation?

Dr. BALL. That is my understanding; that this requires special action.

Mr. COCHRAN. And you further understand that it is not an authorization bill other than planning; that if the joint committee makes a recommendation to the Congress that something should be done along a certain line, then the legislative committee must consider that and bring in a bill to authorize an appropriation before an appropriation can be made. You understand that, do you?

Dr. BALL. Yes. I understood that from the original bill. I am not sure what is in the substitute.

Mr. COCHRAN. And you further understand that this proposed legislation, taken as a whole, is simply to declare a policy of the Congress to meet a situation that might develop and to assist in bringing about full employment?

Dr. BALL. To declare a policy and provide a plan. That is my understanding of what this bill does—a plan for starting investigation and action if necessary.

Mr. COCHRAN. You do not feel that the United States Government as a whole should shoulder the entire responsibility?

Dr. BALL. I do not think the American people have ever desired that.

Mr. COCHRAN. In other words, if we are going to devise some plan of enlargement of our activities in connection with rivers and harbors or flood control, which has always been looked upon as being the responsibility of the Government we will do so without any contributions from the States. Do you favor a policy, let us say, of doing away with the present policy of requiring States and subdivisions of the States to match the amount the Government grants in connection with public works?

Dr. BALL. The citizens are citizens both of the Nation and of the States, and I think that both governmental levels have a shared responsibility.

Mr. COCHRAN. You spoke of roads a minute ago. Congress has already provided for the expenditure of \$1,500,000,000; that is, it has authorized it over a 3-year period for general improvements of roads in the United States. When that amount was authorized it was provided that it should not take effect until a certain period after the war. In the past week both Houses, without opposition, passed a bill which sets aside that limitation and lets them go ahead immediately in connection with the Federal roads program rather than waiting until 6 months after the emergency. That provides for Federal grants based upon the States matching the amount which the Federal Government grants. You favor that policy continuing, do you not?

Dr. BALL. I do.

Mr. COCHRAN. That is all I have to ask, Mr. Chairman.

Mr. CHURCH. Did you state for the record your address and whom you represent?

Dr. BALL. Yes; the Council for Social Action of the Congregational Christian Churches of the United States of America.

Mr. CHURCH. Its principal office is where?

Dr. BALL. New York City; 289 Fourth Avenue.

If you gentlemen would care to have copies of what I just said, I have some extra copies here.

Mr. CHURCH. I would appreciate one.

Dr. BALL. That is all, except the statement from the council itself. I have no duplicates of that.

Mr. CHURCH. You state in paragraph 8 that "the Council of Social Action of the Congregational Christian Churches believes that we should make the start now, that this bill is a good start and should be enacted now, and that depressions, unemployment, and wholesale misery can and must be prevented."

Has the council had before it H. R. 2202?

Dr. BALL. We have studied both these bills through our legislative committee, which meets monthly all the time, and twice a month when we are in an emergency such as now. We have studied both the bills and both of them have been analyzed by experts; we have studied them back and forth and have made our report on them.

Mr. CHURCH. Where is that report?

Dr. BALL. That, I assume, is in New York. A summary of it was published in our monthly publication of the legislative committee, entitled "The Washington Report." I do not have that with me, I am sorry to say.

Mr. CHURCH. Would you submit to the committee the personnel of the experts and others whom you have mentioned?

Dr. BALL. I will be glad to submit whatever the record is.

Mr. CHURCH. That can be included in your statement to the committee. It can be incorporated in the hearings.

Dr. BALL. Yes, sir. Thank you.

Mr. CHURCH. You say they studied it. Did they come to a formal resolution endorsing H. R. 2202?

Dr. BALL. I at this moment do not remember whether an actual motion was passed or not. It was fully discussed and was approved; but whether there is an actual motion of approval on file I do not now remember. We discussed it in the June meeting, if I remember correctly. It was some time ago, and a good deal has happened since, and I do not just remember the proceedings. My call to come before your committee this morning was quite sudden. A New York representative was supposed to have been here, but I think they had planned on an afternoon session and he could not reach here in time for this morning's session. Otherwise he presumably would have had those records with him.

Mr. CHURCH. You confine your statement mostly to H. R. 2202, and then later you mentioned a substitute bill. What did you mean by your reference to a substitute bill?

Dr. BALL. There was a report on a revision of this bill. Whether it is actually in the form of a bill or not I do not know. No; it was a committee report on S. 380.

Mr. CHURCH. Do you have the report that you are talking about there? You are talking about a substitute.

Dr. BALL. I misused that word if I said "substitute." I have not read this document and I do not know just what it is.

Mr. CHURCH. You have not read it, and yet you disapprove of it. Is not that about the situation?

Dr. BALL. No.

Mr. CHURCH. You answered Mr. Cochran very clearly and affirmatively in approving H. R. 2202. He asked you a number of questions and you seemed to agree with him with regard to H. R. 2202. If the provisions of H. R. 2202 follow the Senate amendments, and apparently you disapprove of the Senate version or substitute—

Dr. BALL. No; I do not think I would say that I disapprove of it.

Mr. CHURCH. You are not familiar with it?

Dr. BALL. I said there were some persons who felt that perhaps the changes have not strengthened the bill.

Mr. CHURCH. Who are those persons that you refer to?

Dr. BALL. I am not at liberty to say who the individuals are.

Mr. CHURCH. I am asking you to give us the information. Why should you withhold from this committee that information?

Dr. BALL. For the simple reason that there was no official meeting. We have been discussing this bill in lunchrooms and everywhere else. So I do happen to know that there are others who are studying it that are not all in favor of it. I am not referring to the action of our board, because our legislative committee passed on the original bill as drawn, and we have not had a meeting on this subject since these changes were made. So that what the Council for Social Action of the Congregational Christian Churches has said refers to the bill as it was originally introduced.

Mr. CHURCH. What was the date of the action?

Dr. BALL. I think it was in June.

Mr. CHURCH. This past June?

Dr. BALL. I think that our meeting on this subject was in June and that the report was in our July issue.

Mr. CHURCH. S. 380 was introduced on October 1, 1945, and H. R. 2202 was introduced on February 15, 1945.

Mr. COCHRAN. S. 380 was a new bill introduced by the chairman of the Senate Committee on Banking and Currency after the hearings were held. The original bill was not S. 380. The original bill was introduced months before that.

The CHAIRMAN. S. 380 was just referred to the House yesterday. That bill was introduced some time ago.

Dr. BALL. It was introduced on February 22.

The CHAIRMAN. S. 380 was the number of the original bill. They were both introduced in February of this year. It shows the date it was referred to the committee, October 1, 1945.

Mr. GOSSETT. S. 380, as we have it, is an entirely different bill from the one that was introduced.

The CHAIRMAN. Not entirely.

Mr. GOSSETT. It is different, at least, and the gentleman says that he has not had time to study it.

Mr. CHURCH. Dr. Ball, you are generally familiar with the fact that the Senate has taken care of the expenses that would be brought about by S. 380 and H. R. 2202. Do you approve of taking care of the financing in the same measure?

Dr. BALL. I am not prepared to say. I have had no opportunity to study that.

Mr. CHURCH. You do not want to make any expression on that?

Dr. BALL. No; I would not care to make any statement on that. I would like to study it before I make a statement, if I can.

Mr. CHURCH. Can you recall yet any of the people who represent the opposition to S. 380, the opposition to which you referred a little while ago?

Dr. BALL. No; I would not care to name any of them. I probably have in mind some friends who have discussed it informally. Now, let me make myself perfectly clear. This was not the result of the conference of the legislative committee of the council, because we were discussing the two original bills in which these changes did not occur. The conversations I am referring to were private discussions in clubs, lunchrooms, and the driving pool. I am not going to try to quote individuals who felt that the bill had not been strengthened by some

of the changes. That would be quite unwise for me to try to do. These were purely personal conversations; but I do know definitely that not all with whom I have discussed it informally are in favor of or are convinced that the changes have strengthened the bill. That I think I can state very fairly. But just which man out of the ones with whom I have discussed it said this, that, or the other, I would not try to recall.

Mr. CHURCH. Well, Dr. Ball, you refuse to give me any names?

The CHAIRMAN. I know a lot of people that oppose this bill.

Mr. CHURCH. Which one of the bills?

The CHAIRMAN. They do not like some of the provisions.

Mr. CHURCH. You understand, Doctor, that Members of Congress have such churches in their districts and are naturally anxious to know their point of view. We want to know how much they know about it so that what they know about it can be of assistance to us. As information is presented with relation to these various bills, we naturally want to know who met and who determined those things; but you do not seem to get my point. I want to know some of these, at least, who opposed S. 380, if they did. Can you not name some who were at the June meeting?

Mr. GOSSETT. Would not that be hearsay evidence?

The CHAIRMAN. If it passed the Senate last Friday it would not have been discussed then.

Mr. GOSSETT. Mr. Cochran has just said it was a prior bill.

The CHAIRMAN. No; you misunderstood him entirely.

Mr. CHURCH. I want you to name some of the people in your group that represent that opposition.

Dr. BALL. I said, and I still say, that the substitute has not been under discussion by our committee. We discussed the original bill and acted upon it. The discussion of the substitute has been purely personal. It is not a matter of action of our denomination. We have not acted on the substitute. There has been no meeting at which it has been discussed. Whether there will be a meeting or not I do not know. So far as the members of the legislative committee are concerned, their names will be furnished to you in the statement from New York.

Mr. CHURCH. You will furnish them, will you?

Dr. BALL. The names will be furnished. But I want it distinctly understood that the committee has not discussed the substitute; it was merely the original bill.

Mr. CHURCH. Let us go back to the June meeting where you considered H. R. 2202, and give me, just briefly—and that is as much as I want you to do—your procedure there. Do you discuss measures and then refer them back to the communities, or just how do you come to a conclusion when you pass upon endorsing a bill like H. R. 2202?

Dr. BALL. The legislative committee is a committee of the Council for Social Action. The legislative committee obtains copies of bills in which it is interested; distributes them in advance to its members for study; and announces that they will be discussed and conclusions drawn at a stated meeting, so that the members are supposed to have studied that legislation fully and, presumably, to have read what has been said pro and con in the Congress if the bills have been up for discussion or for hearings before a committee, so that they will be able to get the opinions that are current regarding any particular piece of

legislation. Then at the meeting they are discussed again all together, and a conclusion, if anything is worked out, may or may not be incorporated in a formal resolution or motion of approval. It may be just a statement formulated during the meeting.

Mr. CHURCH. In this case was there a formal resolution adopted?

Dr. BALL. I said before that I could not recall just what was done at that June meeting; and not having had advance notice of my appearance here this morning I was unable to get together the material which would have told me that. I am not the gentleman who was supposed to be here. Because the meeting occurred this morning instead of this afternoon the New York gentleman was not able to get here, and they wired me to come over and represent the legislative committee.

Mr. CHURCH. Does he still want to come before the committee?

Dr. BALL. That I do not know. He will probably be down here tomorrow morning, anyway.

Mr. CHURCH. Will there be an opportunity for your council to take up the matter again with reference to this subject?

Dr. BALL. Oh, yes; if they wish to do it they certainly will. They are meeting every 2 weeks right now.

Mr. CHURCH. So there is an opportunity?

Dr. BALL. Yes.

Mr. CHURCH. That is all.

Mr. GOSSETT. Dr. Ball, you referred to the psychological effect of this bill. Do you not think that anything that holds out an illusory or false hope would have a bad psychological effect? In other words, if this bill creates in the minds of the workers of the country a feeling that the Government is going to guarantee them jobs, when, in fact, the Government is not going to guarantee them jobs, to that extent it would have a bad effect, would it not?

Dr. BALL. Any unfounded belief is bad.

Mr. GOSSETT. Are you familiar with the Beveridge plan?

Dr. BALL. The English plan?

Mr. GOSSETT. Yes.

Dr. BALL. I have read it.

Mr. GOSSETT. Do you think it is a good plan? Do you endorse the general principles of that plan?

Dr. BALL. I should say, in general, yes. It is a year old now, and I may not have fully in mind all it said. That is personal. I am not speaking for the committee now.

Mr. GOSSETT. Yes; I understand. Somewhere in the Scriptures there is a proposition laid down that the Lord helps those who help themselves. Is not that somewhere in the Bible?

Dr. BALL. There is an old gag in college that it is either in the Bible or Shakespeare.

Mr. GOSSETT. It is pretty sound doctrine, anyway; is it not?

Dr. BALL. Yes. We have trapped some ministers on which is which sometimes.

Mr. GOSSETT. It would be bad for the Government to set up as a policy a universal aid to persons unless they had first done everything they could for themselves. That is true; is it not?

Dr. BALL. I think so.

Mr. GOSSETT. In other words, we want people in this country who can get jobs on their own initiative. That is true; is it not?

Dr. BALL. I think that was in the American plan in the beginning.

Mr. GOSSETT. We hear a lot of talk in this country about security. Is there any such thing as security?

Dr. BALL. No more than there is free enterprise.

Mr. GOSSETT. About the only security there is is the security of the grave, after all.

Dr. BALL. I would not want to answer that. That is a broad question.

Mr. GOSSETT. But if the Government could and would through legislation guarantee to every person gainful employment, would not that to a certain extent rob the people of the incentive to help themselves?

Dr. BALL. I have never seen it done that way. We do that in our school system. We make it perfectly evident that every American child is entitled to an education, and we provide the facilities. We cannot make him get an education if he balks. But I do not think the history of education in America would indicate in any way that that has deterred people from desiring to get an education and even working to get it.

Mr. GOSSETT. All I want to do is to keep the American way of life, as I understand it, as nearly as we can; but what I am trying to elicit from you is whether or not you believe that the Government ought to guarantee to every person a job.

Dr. BALL. I do not think there is any legislation that has ever proposed that.

Mr. GOSSETT. Some people think that this bill would do it. I do not think it would.

Dr. BALL. I do not think it was intended to guarantee a job. It was intended to guarantee them the right to work, but it never said that the Government, through an act of Congress, would do that. As I understand it, it says that after private industry shall do as it always has done, its best—it theoretically does its best—then the Government, through a continuing survey, will find out whether that best is going to be enough, and if it is not, there is a report to Congress to give Congress a chance to help out. That is not the Government giving them work, as I see it.

Mr. GOSSETT. Do you not think that the local communities ought to have some responsibility for relief and aid and charity, as it were?

Dr. BALL. When you and I were both young, that is, when I was young and you were young, every county had a poorhouse, did it not?

Mr. GOSSETT. Not every one.

Dr. BALL. They did except on the frontier. That is where I happened to be raised. They did not have any there.

Mr. GOSSETT. When I was young, when anybody was hungry, we always saw that they got something to eat.

Dr. BALL. But I never noticed anybody wanting to ask for something to eat. They would much rather work for a living if they could.

Mr. GOSSETT. If anybody came to my father's home and wanted a meal, he always saw that he got it. That was worth something in the American life, that spirit of helping the neighbors.

Dr. BALL. It is still here.

Mr. GOSSETT. It would not be if everybody came to Washington for such relief as they thought themselves entitled to.

Dr. BALL. I cannot imagine a condition like that; I have never seen it. It seems to me that the American spirit has always been the opposite of that.

Mr. GOSSETT. Is there not a feeling generally that when you are spending Federal money it does not cost anybody anything?

Dr. BALL. No; I think that is a myth that has been created by our press and some speakers. I do not think the American people feel that way. I knew a lot of people that were given relief during the last depression. There was a lot said about the boys in the CCC leaning on their spades. Those boys knew what they were doing. They were preventing forest fires; and when you have burned up a forest there is no forest again for 50 or 75 years. They were preventing soil erosion. They had a feeling that they were doing something for America, just as the boys that wore military uniforms felt that they were doing something for America. They felt badly that it had to be done that way, but they were on the job and were helping to make this country a better place to live in. There is no 100-percentism anywhere in America that I ever heard of.

Mr. GOSSETT. Do you think that the WPA program was successful or would have been if it had been handled properly?

Dr. BALL. My dear friend, did you ever know anything that was handled properly in America?

Mr. GOSSETT. I do not think I ever did.

Dr. BALL. All right. You will excuse me if I do not answer your question, then.

Mr. GOSSETT. I wanted to know if you thought it worked out all right.

Dr. BALL. They did a lot of good under difficult conditions. You have heard the words "Too little and too late." That was part of the trouble with the WPA folks. There was not enough of it and it did not get started in time.

Mr. GOSSETT. You mean, we did not spend enough money on it?

Dr. BALL. No. Well, that is one way of looking at it. But what I meant was that there was not enough provision made early enough. We did not start when the depression started. We did not start before the depression started. As I understand it, this bill is to start before the depression hits us and knocks us into a cocked hat. I said distinctly that there is nothing which is more American than planning before lightning strikes rather than afterward. You remember the schoolboy who was asked why lightning does not strike twice in the same place, and he said, "Because after lightning strikes once, the place ain't there any more."

The CHAIRMAN. Mr. Rich.

Mr. RICH. Dr. Ball, I notice that you are on the legislative committee of the Council for Social Action. Have you ever been in business?

Dr. BALL. You mean commercial business?

Mr. RICH. Yes—of any kind.

Dr. BALL. I have never run a commercial business. I have been employed in commercial businesses at intervals. I earned my way through college by employment in commercial enterprise.

Mr. RICH. You have never been in business yourself?

Dr. BALL. I have never been in business in the ordinary sense.

Mr. RICH. In the statement which you read to us this morning you said this, in paragraph 3 [reading]:

An influential part of our commercial and industrial world still insists that successive booms and depressions, the so-called business cycle, are inevitable.

To whom do you have reference in that part of your statement?

Dr. BALL. I cannot name individuals now. If I had reference to my files I could give you relatively recent articles in business journals in which that theory is adhered to.

Mr. RICH. Is that the point of view of the majority of people who are in business?

Dr. BALL. I cannot tell you that. I am not in business and am not in contact with them.

Mr. RICH. You say "an influential part." I am just wondering how many of the business people of this country you refer to.

Dr. BALL. Well, I assume that when a man gets his statement published in a business organization journal he represents influential people. Uninfluential people do not publish very much. That is my assumption; I may be wrong.

Mr. RICH. The majority of men that are operating businesses in this country and giving employment to people are not magazine writers and do not spend much time in trying to write articles for magazines. Am I correct in that statement?

Dr. BALL. True.

Mr. RICH. They are trying to keep their business in operation and trying to make employment for others. Is not that a fact?

Dr. BALL. Of course.

Mr. RICH. In the second part of that same paragraph you say [reading]:

Our Congregational Christian Council for Social Action holds that this belief is an insult to the intelligence of America and an affront to the Christian conscience. We must continue to insist that depressions can be prevented until that belief gains acceptance.

Can you tell me of anyone who does not want to create jobs for individuals if they want to work or who does not believe that a man should have a job if he wants work? Do you know of anybody that does not believe that?

Dr. BALL. I would not know whether any believe that or not. All I know is that in 1929 the factories all closed. There were just as many people in America; they had just as much desire to eat, to spend money for clothing and for rental and for recreation, for medicine and for education, as they had before. But the factories closed in spite of the fact that the same number of people were there and had the same desire and wanted to spend the same money they had been spending.

Mr. RICH. Supposing a man was operating a business and had no sale for his merchandise and could not create any employment: What should he do?

Dr. BALL. I would ask you, What made them stop buying? What made the factories close and wages stop? That I think is the question.

Mr. RICH. There was no demand.

Dr. BALL. Sure, there was a demand. The same people wanted the same goods. The demand was there. But what happened?

Mr. RICH. They did not have money to buy and they wanted to conserve their resources. They could not create a demand for their merchandise, and therefore they had to close their plant down.

Dr. BALL. But the demand was there. There was something wrong somewhere. You are much more experienced than I am on that point.

Mr. RICH. You are here as a witness, and we are trying to find out about this proposed legislation.

Dr. BALL. I know what happened in 1929, but I do not know why. The same people were in the United States, with the same needs and the same desires to purchase goods, but they suddenly lost their purchasing power.

Mr. RICH. We have a condition right now, Dr. Ball, where we have got jobs waiting for millions of American workers, and they quit their jobs. What would you do in a case of that kind?

Dr. BALL. I am not in a position to discuss that, I am sorry to say.

Mr. RICH. What do you think ought to be done, when we have millions of jobs now waiting for the American people to take them, and the men do not want to accept them?

Dr. BALL. That, of course, is a very wide, broad, and deep question; but if it can be stated briefly, I would say that it is a question in the minds of men as to how much of the value of a manufactured product is the result of labor and how much is the result of invested capital. Some of these men apparently believe that labor is not getting the share that labor ought to get in the total investment. That is, they regard human labor as of greater proportional value in the total scheme of production than it has been getting. We know the history of labor, going back to the days when mills worked laborers 16 hours a day. Do you remember that?

Mr. RICH. I worked those hours for many a year.

Dr. BALL. They do not work 16 hours a day any more?

Mr. RICH. A lot of business executives do.

Dr. BALL. A lot of farmers do, too. I was born and raised on a farm. They work 16 hours a day, but there are times when they do not have to work like that, and it averages up.

Mr. RICH. We have a condition here where we have got the jobs and the workmen refuse to work. Then we have the workers losing, business losing, and the Government losing. Is that the right way to handle conditions as we find them today?

Dr. BALL. I just go back to 1929 when the businessmen thought that they were not making enough and just closed up.

Mr. RICH. Who did that?

Dr. BALL. I refer you to the census figures for 1930.

Mr. RICH. You say businessmen did that. I am in business myself, personally, and I did not do that.

Dr. BALL. Did not the great manufacturing plants close up? Take the census figures of the number of manufacturing plants that closed up in the early 1930's.

Mr. RICH. I am asking you who did that.

Dr. BALL. I say, take the census figures.

Mr. RICH. You are just talking in generalities.

Dr. BALL. I am talking about what everybody in the United States knows.

Mr. RICH. What ones closed down?

Dr. BALL. The automobile factories closed down, did they not?

Mr. RICH. I am not here to be quizzed by you; I am asking you questions.

Dr. BALL. I just want to know if I am right.

Mr. RICH. I think probably some of them did. But the automobile factories want to work today. Why don't they work?

Dr. BALL. I just gave you a reason. There is discussion in the public mind as to whether labor, which is an investment, should have a larger percentage of the total, which is a combination of invested labor and invested capital. I assume that is why. I am not a member of a labor union and I know nothing about it.

Mr. RICH. I am assuming that you are a Christian gentleman. From the job that you now hold you could not be otherwise, or they would not have you in there. Do you not think that rather than have all the strikes that we are having at the present time, with everybody laying off, when the men suffer and their families suffer and the Government suffers because it does not have the taxes, and business suffers, they ought to arbitrate the differences and keep on working?

Dr. BALL. Yes; I agree with you thoroughly on that. I could go quite a bit further on some phases of it, if it were germane to this discussion.

Mr. RICH. What do you care to suggest?

Dr. BALL. I do not think that the necessary laws and machinery have been provided early enough. In other words, our legislation usually runs behind the need instead of ahead. That is why I am so interested in this legislation. It is an attempt to get busy ahead of the need and be ready when the need comes. That is not our American way. We wait until afterward.

Mr. RICH. We find a lot of men today who want to work but are prohibited from working. Does that seem to be the Christian way to handle the situation?

Dr. BALL. No. I have already made my reply as to what I understand about the situation. I cannot go further.

Mr. RICH. You made one other observation here. You said that in 1787 the American way was to take over the handling of the mails and the post roads, and that if there had been big corporations then, as we have now, the Government would have taken them over. That is in paragraph 4 of your statement.

Dr. BALL. I did not say that, sir.

Mr. RICH. You inferred that.

Dr. BALL. I said the monopoly utilities. The Post Office is a monopoly. You could not have five or six postal services handling your mail.

Mr. RICH. Would you recommend the Government taking over all public utilities?

Dr. BALL. I am just telling you what the founding fathers did.

Mr. RICH. They did not do that.

Dr. BALL. They did it with all they had at the time. They did not have electricity.

Mr. RICH. You infer that they would have taken them all over. Do you think the Government should take over all public utilities today?

Dr. BALL. If you want my personal opinion—I am not speaking for the Congregational Council in any way—I think so. I think that no monopoly should remain in private hands.

Mr. RICH. Then you say we should take over public utilities. That is your personal opinion?

Dr. BALL. My personal opinion is that public ownership of monopolies is very desirable.

Mr. RICH. You say a corporation that furnishes electric lights is a monopoly.

Dr. BALL. You cannot have three electric light companies operating at the same time.

Mr. RICH. Have not the electric companies in this country decreased the cost to the consumer in every way in the service that they furnish to the public in the last 10 years?

Dr. BALL. Yes; but why?

Mr. RICH. Have they not decreased the cost to the public?

Dr. BALL. Some of them have, under pressure of State regulatory commissions. I do not know any that have done it voluntarily. But every State, as far as I know, have a regulatory commission which determines when a rate is excessive and requires it to be reduced. That has been going along for some time.

Mr. RICH. Are we not accomplishing something by setting up these regulatory bodies by the Government and the States so that the public is protected?

Dr. BALL. Surely.

Mr. RICH. But, notwithstanding that, you say that the Government should take over these public utilities?

Dr. BALL. I say the people should take them over. The Government is the people.

Mr. RICH. Dr. Ball, in section 5 of this bill we create a board of 30 Members of Congress in conjunction with the President, to carry out the provisions of this bill. Do you believe that this board of 30 members would be an efficient board?

Dr. BALL. I would not be prepared to answer that. I have not considered that phase of it, and I have no opinion on it at the moment.

Mr. RICH. You do not have an idea that that is too large a number in order to get efficient administration?

Dr. BALL. I would not care to venture on opinion on that.

Mr. RICH. That is all.

Mr. LATHAM. Are all the Congregational churches in the United States members of your association?

Dr. BALL. Yes.

Mr. LATHAM. In other words, your organization represents all the Congregational churches of the United States?

Dr. BALL. The Council for Social Action, which I represent today, is a council created by the General Council of the Congregational Christian Churches of America, and therefore does represent all of those churches; yes, sir.

Mr. COCHRAN. Mr. Chairman, I think the witness at that point ought to give us in round numbers the number of members that he represents.

Dr. BALL. Roughly, 1,000,000.

Mr. WHITTINGTON. What concrete provision is made in this bill to provide for employment? Just name one concrete provision that you have in mind.

Dr. BALL. I am not sure that I understand just what you mean.

Mr. WHITTINGTON. This bill is to provide for full employment?

Dr. BALL. Yes.

Mr. WHITTINGTON. What concrete provision of this bill, if passed, will provide for full or other employment?

Dr. BALL. My understanding of the bill is that when, by survey of the President and by consideration by the Congress, it is determined that full employment will not result from private enterprise, then the Government will appropriate for public works which would take up the slack. That, in brief, is my understanding of the purpose of the bill.

Mr. WHITTINGTON. Is not that the reason why we have passed legislation for public works already and have undertaken to cure the mistakes we made in not planning?

Dr. BALL. We have many public works appropriated for. It is my understanding that this bill provides for a comprehensive survey.

Mr. WHITTINGTON. Yes; you stated that a number of times. But my question is whether or not we have undertaken to provide public works, sound Federal public works.

Dr. BALL. I missed one word there.

Mr. WHITTINGTON. Whether we have not undertaken to provide public works.

Dr. BALL. That question I think answers itself in a way.

Mr. WHITTINGTON. What is your answer—yes or no?

Dr. BALL. There is not a year in which the Congress does not provide for a larger volume of public works, without regard to depression or full employment. I do not think there has been a session of Congress that has not provided for more public works.

Mr. WHITTINGTON. Is it not true that in providing for public works, one of the objectives in mind was to provide for the extension of those works, to provide for employment?

Dr. BALL. I had assumed from the debates and from the presentation made by agencies before the committee that they were making these provisions on the basis of need for the public works, as far as our national economy was concerned.

Mr. WHITTINGTON. A long-range public works program to provide for periods of unemployment—you find that set forth in various legislation that has been passed?

Dr. BALL. During the war period.

Mr. WHITTINGTON. That is all, sir.

The CHAIRMAN. You stated that you believed that the Government should take over public utilities, power systems, and so forth?

Dr. BALL. Yes.

Mr. COCHRAN. Do you understand the chairman's question?

Dr. BALL. I did not get it as a question.

Mr. COCHRAN. It is a very important question for you to say yes to.

The CHAIRMAN. I understand you to say a few moments ago that you advocated public ownership of public utilities, transportation systems, and so forth?

Dr. BALL. Personally.

The CHAIRMAN. The telephone, the telegraph, electric power distribution systems, natural gas distribution systems, and so forth. You advocate public ownership of those utilities?

Dr. BALL. Personally. I am not speaking for the council in any way.

The CHAIRMAN. Does the council advocate that?

Dr. BALL. I do not think the council has ever considered the question to my knowledge. I said very distinctly at the beginning that that was my own personal opinion.

The CHAIRMAN. I take it that you advocate Government ownership of retail food stores?

Dr. BALL. I do not think there is any monopoly in food stores. You can trade with 27 groceries, but you cannot trade with two utility companies. You have got to trade with only one.

The CHAIRMAN. Would you advocate the establishment of 27 different utility companies?

Dr. BALL. That just cannot be done. There is a great difference between a grocery store which has competition and a monopoly utility which cannot have competition. There is no way in which it can have competition.

The CHAIRMAN. Is food more important for the human welfare than electricity?

Dr. BALL. I do not think that question enters into it. You have got to have food; yes.

The CHAIRMAN. Is not Government ownership one of the dangers in this bill?

Dr. BALL. Since 1787 I think there has not been a decade, and I doubt if there has been a single Congress, which is 2 years, which has not added to the things which Government did. I think that is true, as a student of history. I was in public administration in the University of California, and I had occasion to give quite a bit of thought to those things. I was teaching a class of 500 students on government—State, Federal, and local government—what they do and why they do it.

The CHAIRMAN. Do you think the Government can operate railroads, utilities, and so forth, more cheaply than private enterprise can?

Dr. BALL. Well, I would say this, that when the railroads were strictly monopolies, when they were just pushing out and formulating and had no competition whatever, they developed two slogans. One of those slogans was "Charge all that the traffic will bear." You cannot do that when you have competition. And you remember the other slogan, "The public be damned."

The CHAIRMAN. Has not Congress recognized that by enacting laws controlling them?

Dr. BALL. Yes; the Interstate Commerce Commission and State regulatory commissions.

The CHAIRMAN. And the Federal Power Commission and the Securities and Exchange Commission?

Dr. BALL. Why should we have had to do this? Why should not these business enterprises have done it decently themselves? Why should they have said "The public be damned" and "We will charge all the traffic will bear"? That is not decent treatment of the public.

The CHAIRMAN. There is a large segment of public opinion in this country that believes that labor unions should be regulated the same as business.

Dr. BALL. That is why I said earlier that there is no free enterprise, because if we leave them free we get into trouble.

The CHAIRMAN. You would advocate setting up a body like the Interstate Commerce Commission to regulate labor unions, would you?

Dr. BALL. I do not know. I am not a student of the labor problem.

Mr. GOSSETT. I thought I understood the gentleman to say that he favored some regulation of labor, and that we do not have enough machinery.

Dr. BALL. I think what I said was that we had legislated our machinery and our regulation after the need, in the case of labor as in the case of any other thing. We have specialized in attempts at cure instead of specializing in prevention. We are just getting around to the idea that it is better to prevent than to try to cure. Medicine has gone over to the prevention of disease—not to cure you after you are sick, but to keep you from getting sick. That is why I am for this bill, because it is an attempt to prevent.

Mr. GOSSETT. I have no further questions.

Mr. COCHRAN. Doctor, I think you permitted yourself to be led into answering questions that have no relation to this bill whatever. You expressed your private opinion in reference to Government ownership, and not the opinion of the council; is that correct?

Dr. BALL. Absolutely.

Mr. COCHRAN. In paragraph 4 of your statement, as I understood it, you said that those who wrote the Constitution provided that the Postal Service and the highways or post roads should be governmental and not private enterprises?

Dr. BALL. Yes.

Mr. COCHRAN. You have conveyed the thought that if our forefathers had had any idea of the minerals and oil underneath the ground they would have provided, when they parceled out the land to the citizens of this country, that they would be given the top soil and the timber that was on it, but they would have reserved for the Government the minerals and the oil. If they had had that foresight, we would not have any tax bills. That would have supported the Government.

Mr. GOSSETT. We would not have had any oil, either.

Dr. BALL. We did not have any electric power systems or railroads in 1787.

Mr. RICH. I wonder what he thinks about the coal mines. Great Britain is going to take over the coal mines and the railroads. I would like to have the gentleman give us an opinion about that.

Mr. GOSSETT. If the gentleman will yield, why, if we are going to guarantee full employment in private industry, should we have to take them over?

Mr. RICH. Ask the witness; do not ask me.

Dr. BALL. We never have.

The CHAIRMAN. The committee will stand in recess until Tuesday of next week at 10 a. m. I hope that the members can stay here a moment for an executive session.

Mr. WHITTINGTON. I move that we go into executive session, Mr. Chairman.

The CHAIRMAN. Thank you, Doctor, for your appearance.

(Whereupon, at 11:15 a. m., the committee went into executive session, and the hearing was adjourned until Tuesday, October 9, 1945, at 10 a. m.)

FULL EMPLOYMENT ACT OF 1945

TUESDAY, OCTOBER 9, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS,
Washington, D. C.

The committee met at 10 a. m., Hon. Carter Manasco (chairman) presiding.

The CHAIRMAN. The committee will be in order. I think the record should indicate that we are holding hearings on H. R. 2202 and the Senate bill 380; and, for Mr. LaFollette's benefit, H. R. 4181.

We have with us this morning Mr. Thomas Hewes, formerly Under Secretary of the Treasury, and also formerly treasurer of the State of Connecticut.

We shall be glad to hear you at this time, Mr. Hewes.

STATEMENT OF THOMAS HEWES, CONNECTICUT

Mr. COCHRAN. Before you begin, Mr. Hewes, may I ask, are you here as an individual?

Mr. HEWES. I am here as an individual.

Mr. COCHRAN. You are speaking only for yourself?

Mr. HEWES. I am speaking only for myself. I want to say, Mr. Chairman, that I appreciate your taking the time to hear me, and I say again that I come here as an individual representing nobody but myself.

The CHAIRMAN. You may proceed, Mr. Hewes.

Mr. HEWES. Mr. Chairman and gentlemen of the committee, there is one point which I desire to make very clear to this committee at the outset. I conceive a very great difference between the term and the plan "to guarantee full employment" and the objective of every possible opportunity for full employment. I am emphatically in favor of bringing about in the United States conditions which will offer the widest possible opportunity for full employment of its citizens.

1. The bill presupposes that the present economic system will not sustain itself. It, therefore, proposes to provide it with the one crutch which nowadays is constantly resorted to, namely, the paying out of pieces of paper called money, it being implicitly assumed that this money will be automatically transferable into a satisfactory volume of goods and services. The maintenance of this transferability through providing such essential goods and services is nowhere demonstrated, nor can it be, in my judgment, because it is an impossible undertaking for any government, free or otherwise. The bill, therefore, I feel, does not deal in a realistic way with the actual needs of our

daily American life. As a matter of fact, the bill does not profess to be of substantive value except to support appropriations to be made by Congress in furtherance of its asserted purposes.

2. The bill proposes not to deal with an emergency but to present a permanent economic national policy resting entirely on an economic and political system which has hitherto failed to function to our satisfaction, plus the added factors of taxing, borrowing, and spending. This system, plus taxing, borrowing, and spending, was tried before the war and failed. It is now proposed to try it all over again, presumably with more spending. The bill contains no plan from which it can be reasonably assumed that the addition of more pieces of paper will make the system work. Nor has any plan outside of the bill been presented for public consideration which will warrant such an assumption. But to further demonstrate its futility, no consideration at all is given to the fact that the growth of air power and the atomic bomb has rendered quite out of date the already inadequate private enterprise system to the extent of its present characteristics of great cities, great centralized plants, and great centralized groups of employees. This military danger is equaled by the possible civilian use of atomic energy and its effect on many facets of our industrial life, which would in turn render largely obsolete the present set-up.

3. The adoption of the proposed permanent policy lands our country squarely on the horns of a dilemma. If this bill is adopted and an attempt made to enforce it by subsequent appropriations, it is clear that these appropriations must come from taxes or borrowing. Experience leads us to believe that the funds will be borrowed. If funds are borrowed and poured into the economy the already apparent inflation trend will be accentuated. This will inevitably lessen the confidence in the dollar, and, hence, its buying power. We will once again go through the experience of virtually valueless American money. This has happened before. We have been through that twice, as far as I know. On the other hand, if we try to maintain the buying power of the dollar through rigid price controls we will repeat precisely what we have just experienced—a black market of uncontrollable size and diminished production, in which events the promised pieces of paper will be equally impaired in value. I believe there is no possible escape from that dilemma.

4. In our judgment the least desirable permanent economic national policy from the point of view of the individual American, the strength of the country, and the cushioning of depressions is to continue the exclusive emphasis on being or becoming wholly dependent on money wages rather than encouraging the maximum number of people to either be their own bosses or to own an interest in a business in which they are engaged or a piece of land for partial subsistence. Wage earning, for many, is at present essential in our economy, but we should, in view of our sad experience, redirect our thinking toward individual economic well-being in terms of food, shelter, clothing, as well as mental and spiritual sustenance, rather than grow finally into a Nation of simply earners of money wages, wholly dependent on the vicissitudes of someone else's business and the uncontrollable shocks in international affairs.

5. This bill is typical of much legislation of the last 50 years. It is not offered as a part of any integrated, coordinated scheme resting

on principle, so far as we citizens are informed. It is an isolated bit of lawmaking, designed to shove into a hole in the dam with no visible consideration given to the strength of the dam or to other holes. On the contrary, it is certainly arguable that the carrying out of the mandate of the bill will nullify constructive efforts in other areas. The country has been cursed with this procedure for many, many years. I say that with all care, Mr. Chairman, because in my own State of Connecticut I have been very familiar with what has gone on there for 35 years. I have been quite active in politics up there. I have seen that process go on in Connecticut all my mature life, as I have here, and I presume the same is true in other States, although I am not familiar with their situations.

The bill makes no provision within itself for the actual well-being of the individual Americans who make up this country, because their well-being depends on what they can eat, wear, and live in; not on paper money. These vital things are not provided for in the bill or in any official scheme supplementary thereto as far as we are aware, other than language emphasizing that the scheme rests upon the private enterprise system. The Government cannot print and issue clothes, food, and shelter, or human happiness. In our judgment, action under the bill will definitely impair the private enterprise system and will succeed only in lessening production, lowering the standard of living, produce inflation, and destroy savings. These savings besides bank deposits and life insurance include the war bonds. The Government owes a debt of honor to the bondholders.

I might say, Mr. Chairman, that in 1943 I was chairman of the Connecticut War Finance Committee of the Treasury. I spent a whole year on that. I feel very strongly about the bonds which I sold to the people of Connecticut, or tried to sell. I feel that they are honored obligations of our country.

6. The basic, outstanding, and obvious defect in this bill, as we see it, is that it puts the cart before the horse.

We submit that first things should come first and prompt and thorough action should be directed first to creating an effective system of private enterprise and time should be permitted to try the program out; that pending this a temporary scheme of Federal, State, and local public works of the type hereafter described should be initiated. For the long pull an integrated Federal, State, and local public works program could be a thing of national policy, adapted for contraction and expansion, but accepted for what it really is; namely, a stopgap.

There has been much discussion of public works and how much could be usefully and profitably spent. I suggest that there be but one and only one type of public works simply because it is necessary for national survival and because we can spend as much money on it as we can afford. The time has come and is overdue, to rebuild our forests, in each State, the soil in each State, the fertility of the soil; to restore our water supply; to clean up our rivers and streams and remove the desecrations from the banks of our waterways. Every cent thus spent is an investment for the future with little maintenance and repair costs. Our wonderful country has narrowly escaped destruction. We can pass it on to our descendants in reconsecrated form. I believe there should be national planning and financing but the States should execute.

7. We come then to this matter of a plan for our private enterprise system.

I believe that we citizens, including 12,000,000 veterans, are entitled to expect just this sort of thing from our Representatives in Congress. May I illustrate this point? In both War I and War II, the American people achieved the seemingly impossible and they did it because of one outstanding fact; namely, they knew what they wanted and they knew how to get it. The objective was simple and accepted and the means were simple and thoroughly understood. We had, therefore, the revealing experience and joy of a great people united in a common cause in which each had a part to play and played it.

However, immediately upon the cessation of war, unity of purpose and understanding disappear and we are back precisely where we were in 1941. We are bewildered, frustrated, and impatient. This experience should prove without the slightest need for argument that in peace, with a known goal, acceptable to, and understood by, the majority, we can also achieve the impossible.

What is needed now, then, is such a plan, a simple plan.

8. I am well aware that great energy and thought has been given by Congress to a postwar plan. So far as I know, however, no over-all program has been offered for consideration, debate, and action.

I ask permission to submit to you a possible program to which many years of thought and experience have been devoted. It is as a constructive criticism of the bill and a substitute method of approach to employment and individual economic independence.

The presentation consists of a brief statement of what we consider the basic reasons for the failure of the present system, a brief statement of the principles which we think underlie a sound system and an integrated plan to put the principles into effect.

A plan must of course proceed from assumptions; otherwise it is unintelligible. [Reading:]

ASSUMPTIONS AND A PROGRAM OF ACTION

1. Some reasons for failure of present system

(a). Following the Civil War, our economy grew with no serious consideration by anyone of the effect of its activities upon the human beings which made up our country and with an almost total disregard of the basic facts of American life. We experienced a steadily enlarging flood of undisciplined escapades of free-wheeling capital and under those more spectacular phenomena there continued the steady destruction of our soil, the growth of cities, the erosion of individual economic independence, the rapid increase in those dependent on wages, the final fruition of a total money economy. These capital forays flourished in industry, mining, lumbering, and later in agriculture. They in turn engendered retaliations which resulted in bigger government and bigger organizations of sections of the employed in the shape of trade-unions. The whole people were literally jammed into the system with little or no understanding of it. We presented the spectacle of a free people victimized by our own creature instead of consciously directing our national life in the promotion of our own individual and collective well-being.

(b) This system or lack of system failed to perform to our satisfaction before 1930 and continued in failing after 1930 in spite of the added injection of tax money and borrowed money.

(c) It failed, in my opinion, because it corrupted the unique American pattern of understanding, responsibility, initiative, and pride which grew up and flourished in thousands of communities and millions of individual lives and which is indispensable for our democracy and the free enterprise organism. It unwittingly substituted a rigid economic hegemony of great concerns with huge num-

bers of employees, thus contributing to the creation of the problem of mass unemployment. It concentrated a degree of economic and political power which baffled ordinary understanding either by its possessors or the public and at the same time presented untoward opportunities in too few hands for ruthlessness and disregard of the common welfare. The irrefutable truth of this generalization is the spectacle of the American people in War II (to which I have alluded) when every man, woman, and child, free from bewilderment, frustration, and indirect oppression, concentrated their spirit, will, and ability back of a known and desired objective and performed a miracle.

(d) Looking ahead to the years after the war, it is perfectly clear that this current political and economic organization which failed, plus the continuance of Federal taxing, borrowing, and spending, cannot and will not assure free opportunity for all or provide gainful employment for all who seek it.

Mr. HEWES. Those are my own observations, Mr. Chairman, succinctly stated, about why I think the thing did not work out. Now I would like to submit just a few sentences on what I feel underlies the real employment question in this country. [Continues reading:]

2. Principles for developing a sound system

(a) The feasible and desirable way to achieve the economic well-being of our growing population, while preserving individual opportunity, is through the production of an expanding volume of desired goods and services. The maximum productiveness will result from the unhampered individual efforts of the largest possible number of people. Unhampered effort requires that we should establish and enforce the free market for all in local, interstate, and foreign trade. This truth points to the basic defect of all planning which rests our future on the passing around of money symbols called dollars. You cannot eat dollars, or make clothes or houses out of them.

(b) Because laws can materially affect the success of such individual enterprise, we should to the largest degree govern ourselves within our own States. This is necessarily true because we can thus more intelligently care for our interests, being familiar with them. Furthermore, it is generally agreed that the Federal Government has grown to such size and complication that it is no longer understood or really controlled by the people or even by their chosen representatives in Congress.

(c) Our American life is traditionally localized and each citizen lives in some place, and, because of these facts and the preceding assumptions, it follows that the emphasis of our economic and political activities must be toward decentralized production; local home ownership and control of producing facilities; decentralized and uncrowded population; local home government; the restoration of our soil and water so essential for local living; and individual economic independence instead of simply money wages.

(d) What we as a people attain in individual security, prosperity, and happiness depends primarily upon the extent of the political and economic decentralization we thus achieve and upon the vigor of our efforts to minimize the obstacles to the free production and exchange of goods and services, at home and abroad.

PROGRAM OF ACTION

We come now to the program. The program, of course, is predicated upon the acceptance of this basic principle on which it rests—that the one and only source of all mental and physical energy and power in the United States is the individual human beings residing therein. That is the only source and the greatest source. Therefore, our social forms, both economic and political, should be designed and maintained to most utilize that source. The individual American, then, not the Government, is the symbol of our plan and our future strength.

Decentralization is the key to the plan. Economic decentralization requires political decentralization, else the former is not possible as excessive government and expenditures draw off the life blood in taxes.

The plan is offered under four headings:

- I. Economic Decentralization.
- II. Political Decentralization.
- III. End Objectives of Our Enterprise System.
- IV. Illustrative Instances of Federal Aid.

I. ECONOMIC DECENTRALIZATION

The key to successful decentralization is the free market. This requires action and education.

1. Federal action

(a) The existing statutes are inadequate because they do not purport to deal completely with the subject. Enact a statute which would (1) declare the national policy to be the establishment and maintenance of the free market in interstate and foreign trade; (2) embody the principles of the present anti-trust laws; declare that the law applies to individuals, corporations, and associations with limited limitation including cartels, agricultural groups, and trade-unions (except classified types of cooperatives under Federal supervision); and that practices and activities in interstate commerce (including acts of State governments) which raise prices and diminish opportunities for employment, are against public policy; (3) for the purpose of eliminating irrational aggregations of business, so-called trusts and multiple-purpose companies, require that a corporation in interstate commerce should be limited to one basic type of business. Vertical trusts unquestionably diminish opportunity to produce goods and provide jobs. The present practice of self-perpetuating managers of corporations with large sums of cash and securities in steadily absorbing locally owned related or unrelated businesses is a deadly menace to the free market, local self-sufficiency and ownership. No device should be permitted to circumvent the intent of the statute; (4) exceptions should be permitted under the supervision of a new Federal department, hereafter discussed—the Department of Economics.

(b) If the provisions of the general law just described (a) (3) do not prove adequate, a second statute should be passed requiring a Federal license for interstate business with the same specifications.

(c) Repeal all Federal statutes inconsistent with (a) (1), (2), and (3).

(d) The Department of Justice and the Federal Trade Commission are inadequate to preserve or promote free and fair competition and the free market. An economic court should be created having jurisdiction over Federal economic matters. The court would have 48 divisions and would hear cases involving bankruptcy, patents, reorganizations, and violations of economic statutes. Its principal duty would be the protection and promotion of the free market. The enacting statute would provide for well paid judges and for both prosecuting attorneys and public defenders. It would emphasize simplicity and speed of procedure and would permit consolidation of action.

2. State action

Within each State, efforts should be made to support the free market, particularly in minimizing taxes, forbidding local restraints of all kinds, and encouraging cooperatives. Consideration could be given to a uniform State statute forbidding, except in insolvency, the sale of the stock or assets of a corporation to another domestic or foreign corporation without prior offer to the management and employees or local interests.

State corporation laws should require representation of employees on boards of directors, the choice to be made by the stockholders as in all other cases.

3. Public support

The point of view of the people, by education, should be directed to the support of the free market and individual personal liberty.

4. Necessary aids to operation of free markets

Taxes.—The object of our society is not the production of taxes or jobs. Among its objects are (1) increased production and consumption and opportunity to better oneself, (2) increased personal independence, (3) progression from one income level to another, and the chance to save, to own a home, and to pursue happiness. The tax system is one of the keys to the success of the free market and to the above ends. The key to a satisfactory Federal tax system is to determine what method and what amount of taxation will least injure our social aims and at the same time meet irreducible expenses and then to adjust our budget accordingly. In order to know precisely what we are to spend and from where the money is coming, we should have at least five separate budgets. They would be: (1) Payment of principal and interest on the national debt with source of income and the amount of tax to be raised; (2) the cost of maintaining the Army and Navy during this emergency and for so long thereafter as unusual need exists, with the source of the income and the cumulated tax from (1); (3) the ordinary

expenses of government; (4) Federal aid; (5) regular improvement to lands and forests; in each of the above (3), (4), and (5) indicating the source of income and the progressive accumulation of taxes.

To meet budget (1) there could be a straight annual levy on all incomes, the proceeds to be paid to a Debt Retirement Commission which would determine what obligations to pay off, pay the interest, and make a simple report. To meet budget (2) there could be another straight levy. The expenses of budgets (1) and (2) are indispensable and therefore all citizens should share the burden. For budgets (3), (4), and (5) additional taxes should be levied for which recommendations of the Department of Economics must be sought.

The Treasury should have nothing to do with tax policy. It is a distinct matter entirely apart from the collection of the revenue.

In determining what taxes should be levied, the basic concern must be not the income but the effect on the free market, opportunity, and individual well-being. Accordingly, and for example, there should be no income taxes on incomes less than \$5,000 except to meet budgets (1) and (2) and possibly (5). There should be no surtaxes on incomes over \$5,000. There is no known standard of fairness for progressive taxes. To keep the level income rate down, consideration could be given to levying a direct tax on intangible personal property. Other forms of direct taxes could also be considered with suitable exemptions. Excess-profits taxes are likewise unscientific. Dividends should not be taxed. Section 102 of the Internal Revenue Code which severely penalizes corporations for not distributing most of their earnings should be repealed. It is an insufferable blow at small business.

Financial aid.—Risk money is needed to promote new business. There are natural sources within the States, such as banks and uninvested private money, but a State authorized and managed trust fund, the stock to be subscribed by citizens of the State, would serve the triple purpose of furnishing funds to local business, spreading the ownership of business among all the people, and furthering decentralization within a State by planned loaning.

Sound money.—It is time to abandon uncertainty in money values and to try to restore a domestic and international gold standard.

Bankruptcy reform.—An essential thing in furnishing employment is the steady origin of new business. But businesses fail and our bankruptcy and reorganization procedure should be overhauled to expedite the settlement of insolvencies.

Foreign trade.—Every encouragement must be given to multilateral foreign trade through natural, unsubsidized channels.

Immigration.—There should be no immigration for at least 10 years while we are getting our house in order.

II. POLITICAL DECENTRALIZATION

1. Federal action

Large Federal activity requires money. If taxes are greatly reduced to promote real individual initiative and enterprise, only limited funds for spending will be available. If we have economic decentralization, much of the excuse for Federal action will be wanting. Furthermore, Federal expenditures and bureaus even now exceed any reasonable need. In the interest of actual democratic government by the people at the place where they live, of reducing taxes, and of eliminating unnecessary interference with the free market, the Federal Government should be limited to purposes which indisputably serve the national life as a whole, not sections of it. "No appropriation" is the weapon, and civil servants should be forbidden under penalty to lobby, propagandize, or otherwise interfere with the efforts of Congress to drastically reduce the Federal field.

(a) The following existing departments serve the national interest—State, Treasury, Defense, Justice, Post Office. There must also be a department of home affairs or interior in which would be lodged the various administrative activities—such as civil service, patents, census, weather, forest service, etc.

(b) The Departments of Commerce, Agriculture, and Labor should be abolished and any necessary functions which must be retained in the national interest, be transferred to Interior or the proposed Department of Economics.

(c) It is essential to the extent that the Government participates in economic matters that it should have a single economic policy originating in one place. The policy of Congress and the Executive should be the same. Accordingly, we should set up a Department of Economics and to it transfer all necessary economic functions. These, for example, would include the Budget, taxation, tariff, Interstate Commerce Commission, and Trade Commission (unless abolished), agricul-

ture and labor functions in the general national interest, etc. A competent under secretary should be in charge of each main division.

(d) A successful effort as above indicated would leave few independent offices and these could be transferred to one department in charge of a Cabinet officer.

(e) Where Federal Government is required, it should be strongly manned, highly paid, and vigorously run. A small government can be precisely this.

2. State action

Each State can reorganize its own affairs in its own way to promote employment, liberty, and opportunity especially by eliminating interference with enterprise and by reducing taxes.

III. END OBJECTIVES OF FREE-ENTERPRISE SYSTEM

The objective of this plan is not simply jobs or money income or that imaginary thing called security, but economic independence for the largest possible number; that is, ownership of their homes, all or part of a productive business in which they are engaged, and savings.

1. *Homes.*—It is sound public policy for the States to encourage ownership of homes and farms by affirmative planned action. This is not a Federal function. Every American should have a right to get a piece of land to live on without paying a speculative profit. This end can be promoted within the States by public authorities created by the State, authorized to issue their own debentures, who will encourage proper housing in proper places.

2. *Ownership of business.*—It is equally sound to promote more widely the ownership of shares in a productive business. The more local business is locally owned and owned by its own workers, the greater the probability of expanding employment, production, and consumption. With all the talk about small business, little has been accomplished because no real effort has been directed to creating a favorable atmosphere. The right atmosphere is the free market with decentralization, a creative tax policy, and a general and genuine spirit of cooperation and good will. There are many practical ways for promoting individual and employee ownership. Cooperatives are a primary source of spreading ownership of business.

3. *Savings.*—A policy of encouraging investment of a part of one's savings, annually, within the State in active productive enterprise should be fostered. Cooperatives are a good field for effective savings.

IV. ILLUSTRATIVE INSTANCES OF FEDERAL AID

1. The vital thing is a mighty and free nation; the next thing is to keep it oiled and running.

2. *The national income.*—This concept is used to justify heavy taxes and spending. An analysis will show that the phrase is misleading, faulty, fictitious, and an illusory foundation for a free, successful economy. The dominating question in Government aid cannot be covered up by meaningless talk of national income. The real questions are: What must we spend that is imperative? Over and above that, what can we afford to spend?

Illustrations of aid

3. *Spending in general.*—All proposals to tax and spend whether of Executive or congressional origin should be accompanied by a comment of the Department of Economics, including the estimated source of revenue and a judgment on the merits and an adjustment to the five-budget system. It is as simple to keep track of expenses and income for the benefit of the voters in the National Government as it is in a town government.

4. *Unemployment relief.*—This must be approached by getting at the source and not simply spending which operates in a vicious circle. The remedies at the source have been outlined.

5. *Social security.*—All activities in this field should be handled and financed by the States and the people within the States.

6. *Public works.*—The only sound Federal public works, because of their primary importance, are preserving our soil, improving all forest lands, removing sewage and waste from streams, beautifying banks of waterways. The amount available would be determined by the budgets. Let the Federal Government plan, collect the money, and turn it over to the States for use. Great public highways are a

liability. Miscellaneous public work for employment should be financed and carried on by the States.

7. *Agriculture*.—Federal agriculture activities are in a hopeless and expensive confusion. The Department should be abolished with its functions and activities, and a new start, if any, made within the Department of Economics. Subsidies, handouts, and special privileges are unjustified in a free society.

8. *General financial aid*.—This is not a Federal peacetime function and the RFC and similar agencies should be abolished in due time.

9. *Veterans aid*.—The one and only thing which will help the veterans permanently is a flourishing society with opportunity to get ahead and not be permanently crippled by taxes. Aid to disabled men and women must be furnished in full measure but not on a hand-out basis.

10. *Conditions for Federal aid*.—All such expenditures must meet two conditions: The aid must be sound in itself; it must not impair the vitality of the free order which makes the aid possible.

CONCLUSION

The objectives of liberty, employment, opportunity, homes, ownership in business, cooperation, good will and spiritual growth can be realized only by unremitting effort and education.¹

What our ancestor, Benjamin Franklin, stated, many decades ago, summarizes this entire program of action and points to the utter futility of the so-called money economy.

"I have land and I raise corn; if with this I feed a family that does nothing, my corn will be consumed, and at the end of the year, I shall be no richer than I was at the beginning.

"But, if while I feed them, I employ them, some in spinning, others in hewing timber and sewing boards, others in making brick, etc., for building, the value better clothed and better lodged.

"And if, instead of employing a man I feed in making bricks, I employ him in fiddling for me, the corn he eats is gone and no part of his manufacture remains to augment the wealth and convenience of the family. I shall, therefore, be the poorer for this fiddling man unless the rest of my family work more, or eat less, to make up for the deficiency he occasions. Look around the world and see the millions employed in doing nothing, or in something that amounts to nothing, when the necessities and conveniences of life are in question."

APPENDIX I

I. TRADE

Free market.—The key to successful decentralization is the free market. (The phrase "free market" means "the real right and chance for every person so desiring to produce goods, and offer services, without interference by governments or individuals or groups of individuals.") Enact a Federal statute which would (1) declare the national policy to be the establishment and maintenance of the free market in interstate and foreign trade; (2) embody the principles of the antitrust laws, declaring that practices and activities (including acts of State governments) which raise prices and diminish opportunities for employment are against public policy; (3) require that a corporation engaged in interstate commerce be limited to one basic type of business. Vertical trusts unquestionably diminish opportunity to produce goods and provide jobs; (4) make provisions for exceptions; (5) repeal all Federal statutes inconsistent with this policy.

Economic court to enforce free market.—The Department of Justice and the Federal Trade Commission are inadequate to preserve, or promote, free and fair competition, and the free market. An Economic Court should be created having jurisdiction over Federal economic matters. The court would have 48 divisions and would hear cases involving bankruptcy, patents, reorganizations, and violations of economic statutes. Its principal duty would be the promotion and protection of the free market. The enacting statute would provide for well-paid judges and for both prosecuting attorneys and public defenders.

¹ In a restatement of the program of action under specific headings such as "Trade," "Taxes," etc., see appendix I.

Labor representation.—State corporation laws should require representation of labor on corporations' boards of directors, the choice to be made by the stockholders as in all other cases.

Cooperative ownership.—Every effort should be made to extend substantial ownership in a business to employees. Every encouragement should be given to the cooperative ownership of business by those engaged in it. The more local business is locally owned, and owned by its own workers, the greater the probability of expanding employment, production, and consumption.

Home investments.—Part of each man's annual savings should be invested in an active productive enterprise in his home community * * * not all, not half, but some part.

Foreign trade.—Every encouragement must be given to multilateral foreign trade through natural, unsubsidized channels.

Sound money.—It is time to abandon uncertainty in money values and to restore a domestic and international gold standard.

Bankruptcy reform.—Our bankruptcy and reorganization procedure should be overhauled to expedite the settlement of insolvencies.

Financial aid.—Risk money is needed to promote new business. There are natural sources within the States such as banks and uninvested private money but a State-authorized, and managed, trust fund, the stock to be subscribed by citizens of the State, would serve the triple purpose of furnishing funds to local business, spread the ownership of business among all people and further decentralization within each State through planned-loaning.

Immigration.—There should be no immigration for at least 10 years while we are getting our house in order.

II. TAXATION

The tax system is one of the keys to the success of the free market. We must determine what method and what amount of taxation will least injure our social aims and, at the same time, meet irreducible expenses * * * then adjust our budget accordingly. In order to know precisely what we are to spend and from where the money is coming, we should have at least five separate Federal budgets:

1. *National debt.*—Payment of principal and interest on the national debt, with source of income and the amount of tax to be raised.

2. *Defense.*—The cost of maintaining the Army, Navy, and Air Force during the present emergency, and so long thereafter as unusual need exists, with the source of income and the cumulated tax from national debt budget.

3. *Ordinary running expenses.*—The annual operating costs of government, with source of income and cumulated tax.

4. *Federal aid.*—Annual needs for all forms of Federal aid, with source of income and cumulated tax. These expenditures must meet two conditions: the aid must be sound in itself, and it must not impair the vitality of the free order which makes the aid possible.

5. *National improvements.*—We should spend a regular sum each year for improvement of our soil, water, and forests not as public works but because our lives depend on them.

Tax levies.—To meet the national debt budget there could be a straight annual levy on all incomes, the proceeds to be paid to a debt-retirement commission which would determine what obligations to pay off, pay the interest, and make a simple report. To meet the defense budget there could be another straight levy.

The expenses of these first two are indispensable, and therefore all citizens should share the burden. There should be no income taxes on incomes less than \$5,000 except to meet the debt, defense, and possibly the national improvements budgets. No surtaxes on incomes over \$5,000. Consideration should be given to levying a direct tax on intangible personal property in order to keep the level income tax rate down. Excess-profits taxes are unscientific. Dividends should not be taxed. Section 102 of the Internal Revenue Code, which severely penalizes corporations for not distributing most of their earnings, should be repealed, inasmuch as it is an insufferable blow at small business. The Department of Economics (see Federal Government) should make recommendations for taxes to meet budgets 3, 4, 5.

Treasury Department.—The Treasury should have nothing to do with tax policy. It is a distinct matter, entirely apart from the collection of revenue.

III. FEDERAL GOVERNMENT

The Federal Government should be limited to purposes which indisputably serve the national life as a whole, not sections of it. "No appropriation" is the procedure for change. Civil servants should be forbidden, under penalty, to lobby, to propagandize, or otherwise interfere with the efforts of Congress to drastically reduce the Federal field of controls.

National interest.—The present Departments of State, Treasury, Justice, and Post Office serve the national interest. The Departments of War and Navy should be combined into a single department of defense.

Mr. HEWES. There must also be a department of home affairs—i. e., Interior—in which would be lodged various administrative activities, such as civil service, patents, census, weather, forest service, and so forth. [Continues reading:]

Department of economics.—The Departments of Commerce, Agriculture, and Labor should be abolished, inasmuch as they represent special-interest groups and do not serve the national life as a whole. Their absolutely necessary functions would be transferred to a new department of economics. The Federal Government should have a single economic policy originating in one place. Hence, the department of economics would handle all necessary economic functions in the executive branch. These would include the Federal budgets, recommendations on taxation, tariff, Interstate Commerce, and the Federal Trade Commissions (unless abolished), and such agricultural and labor functions as are in the general national interest. A competent under secretary should be in charge of each main division of this department.

Department for miscellaneous functions.—All remaining agencies and bureaus, after reorganization, could be gathered in one department with a Cabinet head.

Spending.—All proposals to tax and spend, whether of Executive or congressional origin should be accompanied by a comment from the department of economics, including the estimated source of revenue, a judgment on the merits, and an adjustment to the five-budget system. It is as simple to keep track of expenses and income for the benefit of voters in the National Government as it is in a town government.

Pay roll.—Where Federal Government is required, it should be strongly manned, highly paid, and vigorously run. A small government can be precisely this.

IV. STATE AND LOCAL GOVERNMENT

The greatest source of effective productive power and potentially satisfactory government is the sum total of the individual brains and strength of all the people where they severally live. Therefore, the economic and political activity of the country should be a natural counterpart of the life of the people, which is traditionally localized. Thus every individual should not only have free scope for a good living in the place where he lives but should, to the largest degree, govern himself locally. In consequence, it is necessary to achieve decentralized production, local home ownership and control of producing facilities, decentralized and uncrowded population, and strong local government.

Free market supports.—Within each State, efforts should be made to support the free market, particularly in minimizing taxes, forbidding local restraints of all kinds, and encouraging cooperatives. Consideration should be given to a uniform State statute forbidding, except in insolvency, the sale of stocks or assets of a corporation to a foreign corporation, or otherwise, without prior offer to the management and employees or to local interests.

Ownership of homes.—It is sound policy for the States to encourage ownership of homes and farms by affirmative planned action. This is not a Federal function. Every American should have a right to get a piece of land to live on without paying a speculative profit. This end can be promoted within the States, by public authorities created by the State and authorized to issue their own debentures. These authorities will encourage proper housing in proper places.

Ownership of business.—It is equally sound to promote more widely the ownership of shares in a productive business. With all the talk about small business, little has been accomplished, because no real effort has been directed to creating a favorable atmosphere. The right atmosphere is the free market with decen-

tralization, a creative tax policy, and a general and genuine spirit of cooperation and goodwill. There are many practical ways for promoting individual and employee ownership. Cooperatives are a primary source of spreading ownership of business.

The CHAIRMAN. As I understand, from a hurried reading of your statement, you are for a Government program to encourage full employment in private enterprise?

Mr. HEWES. Positively.

The CHAIRMAN. And your statement offers suggestions of the organization of different Government agencies to promote private enterprise, to give full employment?

Mr. HEWES. That is correct.

The CHAIRMAN. You state that the present bills under consideration will not accomplish that purpose.

Mr. HEWES. That is correct.

The CHAIRMAN. And you have given some concrete proposals which, in your mind, will promote full employment.

Mr. HEWES. Yes, sir. These suggestions are things which I have tried to put in a book and which I have spent now about a year and a half trying to get somebody to look at; but it rests upon quite a long background of a study of these things.

The CHAIRMAN. It includes a complete reorganization of the executive departments?

Mr. HEWES. That is correct.

The CHAIRMAN. With the abolition of certain Cabinet departments?

Mr. HEWES. Yes, sir.

The CHAIRMAN. And the creation of others?

Mr. HEWES. Yes, sir.

The CHAIRMAN. We have just completed a reorganization bill on this side.

Mr. HEWES. Yes. Mr. Chairman, I was down here, I remember so well, in 1933, when the President was authorized to put through the first reorganization; and it was very funny, because I happened to be in the Treasury then and we were all in complete accord with the idea of reorganization. Then the Department of Justice wanted to take over our trial staff in the Bureau, and we had a terrible row about it, because we claimed, in the Treasury, that we knew more about trying tax cases than did the Department of Justice. So, although we were in thorough sympathy with the reorganization that the President was trying to accomplish, we did not want reorganization where we were.

Mr. COCHRAN. You did not favor, for instance, the Federal Bureau of Investigation taking over your enforcement agencies, did you?

Mr. HEWES. No; I did not.

Mr. COCHRAN. To turn the enforcement activities of the Treasury over to the Department of Justice would have been the most foolish thing I ever heard of.

Mr. HEWES. We thought so.

Mr. COCHRAN. The enforcement activities of the Treasury are interlocked with the business of the Bureau of Internal Revenue, in the matter of income-tax violations, and so forth.

Mr. HEWES. That is right.

Mr. COCHRAN. And then you also had the Customs Service.

Mr. HEWES. That is right.

Mr. COCHRAN. And the Narcotics Service.

Mr. HEWES. That is right.

Mr. COCHRAN. And the Alcohol Tax Unit—everyone of them interlocked; just as the postal inspectors' duties are interlocked with the business of the Post Office Department. To turn all of those over to the Federal Bureau of Investigation would have meant creating an organization that would have scared everybody in the country. There was no telling what power the head of that enforcement agency would have had, if he had under him all of the enforcement activities of the Government.

Mr. HEWES. The only point that I wanted to make on that was that after I left here in 1935 I was appointed chairman of a commission in Connecticut to reorganize the State departments of the State. Pretty nearly every State has gone through that, and many of our governors have recommended a reorganization program. I spent 2 years on it and we accomplished almost exactly zero. That part of our legislative recommendations that did not involve the elimination of any bureau but involved the creation of three new bureaus, went through unanimously in both houses. But when it came to consolidating the 117 State departments of the government, we were licked from the start. So, my feeling on this is not the feeling of a theorist. I have lived through it myself.

The CHAIRMAN. You are approaching this problem with a defeatist attitude. You think it will be almost impossible to abolish any executive department?

Mr. HEWES. I do not think it would be impossible, because I think it has to be done. I have lived with it; not as closely as you have, but I have watched it from the viewpoint of an executive in a State for a great many years. I have watched it in my own State, and I know that at some stage of the game we American people have got to cope with this thing. And the only possible way I can think of to do that is the way I suggest in my statement, and that is the result of years of struggle with it. And that is that the employees of the State or the Federal Government should be forbidden to lobby against any measures that are proposed by the Congress or the Executive, because up there in Connecticut, when we tried to do this the affected bureaus simply camped up there in the legislature. They took 6 months off and sat up there; and every time one of our bills came up it was terrific—they had all the members of the legislature, and they were talking to them, and every one of those bills was licked. I do not think we got 10 votes, and yet people theoretically thought that it was a fine idea.

Mr. COCHRAN. Mr. Chairman, let us get back to this bill. Our reorganization bill is on the other side, as far as we are concerned, for the time being.

The CHAIRMAN. The witness' statement touched on reorganization of the Government departments, and that is why I brought the question up.

Mr. COCHRAN. I would like to ask Mr. Hewes a question. In the first place, you understand that this bill before us simply establishes a national policy?

Mr. HEWES. Yes, sir; I do.

Mr. COCHRAN. Do you find anything in this bill whatsoever that takes away from or interferes with the right of private industry to take care of and to give full employment to every man and woman

in this country who desires to work and who needs work? Is there any place in this bill where we throw a monkey wrench into private industry?

Mr. HEWES. No; but I think it is implicit that you throw a monkey wrench into private industry.

Mr. COCHRAN. When we are giving private industry the "Go" sign to do the job how are we interfering with it? It is our hope and prayer that private industry can do the job.

Mr. HEWES. Mr. Chairman, my main criticism of this bill is that it does not accomplish anything, and it will not accomplish anything, because all the rest of the parts of the Government that are necessary to do something are not in this picture. I am just a citizen sitting up in Connecticut, just an ordinary guy—

Mr. COCHRAN. Suppose we pass the bill that directs the executive branch of the Government to plan in advance for improvements, lasting improvements, and simply have those stored away in a drawer to be considered in the event the situation develops where it is clearly evident that private industry cannot solve the problem of putting the people to work; is there any harm in that?

Mr. HEWES. No, sir; I think that is fine.

Mr. COCHRAN. That is the directive in this bill. You understand, this bill does not authorize an appropriation?

Mr. HEWES. I do, sir.

Mr. COCHRAN. And you understand that if they do plan, they must come to Congress and get a legislative committee to authorize an appropriation?

Mr. HEWES. I do.

Mr. COCHRAN. And then, if the legislative committee and the Congress authorize the appropriation, they must come back to the Appropriations Committee and get the money?

Mr. HEWES. I understand that.

Mr. COCHRAN. You will recall back during the last depression, when private industry was not able to take care of the situation, there were millions of people out of employment; lots of them were on the verge of starvation. So the Congress came in and created what was called the WPA, the Works Progress Administration. We had no advanced planning. So, in order to make these people feel that they were earning what they were getting, that they were not receiving an outright dole, they created any kind of a job for them, raking leaves, and everything else.

We do not want a repetition of that.

Mr. HEWES. No, sir; I absolutely agree with you.

Mr. COCHRAN. If a situation like that did develop would it not be to the advantage of the Government and of the people of the country to have plans ready to go ahead and put people to work?

Mr. HEWES. Yes, sir.

Mr. COCHRAN. So we would not have to hand out money?

Mr. HEWES. I agree with that.

Mr. COCHRAN. That is what this bill does. You do not object to that part of it?

Mr. HEWES. No, sir; I do not.

Mr. COCHRAN. You say that you want an effective system of private enterprise and you admit that this bill is not going to interfere in getting that effective system?

Mr. HEWES. Well, I think it does.

Mr. COCHRAN. In what way?

Mr. HEWES. Because I think it envisages the setting up here—although it purports to set up just a permanent policy for the Federal Government—it proposes that the Federal Government supplement any deficiencies in the private enterprise system by providing money. That is the whole purpose of the bill.

Mr. COCHRAN. If you are going to have advance planning, which you agree with—

Mr. HEWES. Yes.

Mr. COCHRAN. And we do not propose to carry out any of those projects that will be recommended in that advance planning until private industry has failed to put the people to work, how can you object to that?

Mr. HEWES. Mr. Cochran, I do not object to that. What I am trying to say is, and what I have tried to say in this statement is, as a citizen of this country, that this does not begin to cope with the problems of the private-enterprise system and therefore it is no substitute for a thoroughgoing integrated scheme to assist the private-enterprise system to do the job. And just simply saying that this bill will suggest certain plans and if necessary the plans will be put into operation through an appropriation, I think is dodging the issue. That is what I have tried to say in this statement, that is all. I do not think this is the approach to make the private-enterprise system work, and I never have thought so.

Mr. COCHRANE. You do not want us to give direct aid to private industry in the way of money?

Mr. HEWES. I do not; no, sir.

Mr. COCHRANE. What approach, then, would you advise? Are you in favor of reducing to a very low level, the taxes that are assessed on private enterprise?

Mr. HEWES. I feel very strongly that the whole tax system should be entirely revamped, and I have outlined that here in this statement. I feel very strongly about that.

Mr. COCHRAN. On the other hand, you feel very strongly that we should not do anything to upset the value of our Government securities?

Mr. HEWES. That is correct.

Mr. COCHRAN. You said that.

Mr. HEWES. That is correct.

Mr. COCHRAN. Perhaps in different language, but you said that.

Mr. HEWES. That is correct.

Mr. COCHRAN. The first thing we must do, if we are not to upset the value of our outstanding securities is to pay the interest on those securities; is not that correct?

Mr. HEWES. Yes, sir.

Mr. COCHRAN. Right now it is estimated that the interest on our outstanding securities comes to \$6,000,000,000.

Mr. HEWES. Yes, sir.

Mr. COCHRAN. We must collect that money.

Mr. HEWES. That is correct.

Mr. COCHRAN. We have other outstanding obligations.

Mr. HEWES. That is correct.

Mr. COCHRAN. The second large one is to the veterans.

Mr. HEWES. That is correct.

Mr. COCHRAN. There is nobody who can now estimate the final cost to the Government to look after the disabled veterans and their dependents. That is another charge against the Government, is it not?

Mr. HEWES. May I read what I have to say in my statement on taxes?

Mr. COCHRAN. Just a moment; that is another charge against the Government?

Mr. HEWES. Yes, sir.

Mr. COCHRAN. How are you going to get that money unless we collect it by taxes? Do you know any other way in the world we can get it?

Mr. HEWES. No, I do not.

Mr. COCHRAN. It has to come out of the pockets of the people?

Mr. HEWES. I said I do not.

Mr. COCHRAN. Then we are going to have to be very careful with our tax program.

Mr. HEWES. Yes, sir.

Mr. COCHRAN. You favor a general revision of the tax program, you say?

Mr. HEWES. I favor it the way I have expressed it here.

Mr. COCHRAN. In any event, you admit—and I know you do, because I have known you a long while—that we must get the money from the taxpayers to pay our bills?

Mr. HEWES. That is right.

Mr. COCHRAN. And if we do not do that, if we should default on any of the payments of interests on our Government securities, our financial system would break down immediately, would it not?

Mr. HEWES. You bet..

Mr. COCHRAN. If Government securities are of no value, then all other securities are of no value.

Mr. HEWES. That is correct.

Mr. COCHRAN. Therefore we have got to approach this tax question with extreme care.

Mr. HEWES. I know it.

Mr. COCHRAN. As I said, there is nothing in this legislation to appropriate money except perhaps for the expenses of the joint committee, which will amount to only a few thousand dollars.

Mr. HEWES. That is right.

Mr. COCHRAN. It is a directive, as I look at it, to the executive branch of the Government, to go ahead and plan.

Now, we have already started planning. The gentleman on my right, Mr. Whittington, of Mississippi, is chairman of the Flood Control Committee. He directed the Army engineers to make investigations. They made them and came back to his committee and made their report. Then for weeks he held hearings on that, and then his committee authorized an appropriation to carry out the projects that they felt were worthy of approval. We have now a list of authorizations for flood control and river and harbor projects probably 10 feet long. That is already on the books.

Now, if a condition arises where we have to put people to work and cannot find any other way to put the people to work, Congress can appropriate money to carry out those projects.

We have a bill right now, on which hearings are going to be started this week, for a public-buildings program, that has come down from the Public Buildings Administration, submitted by the President and cleared by the Bureau of the Budget. That will run to a tremendous amount of money. There will probably be an authorization bill come out of that. But at no time has Congress, that I know of, in a program of that kind, appropriated a sufficient amount of money to carry out all of the projects included. We do not appropriate a sufficient amount of money for the engineers of the Army to carry out all the flood-control projects. We have given them a lump sum and allowed them to pick out the most important ones; and the same with the rivers and harbors projects that have been authorized.

There has never been any objection to that advance planning.

Mr. HEWES. No.

Mr. COCHRAN. Why should there be any objection to other advance planning? That is what I cannot get into my head.

Mr. HEWES. Mr. Cochran, you are a Member of Congress. I am a poor guy sitting up in the State of Connecticut, and the only reason I have come down here—and I have never done this before in my life and I hope I never do again—is to state what a poor citizen up in Connecticut thinks about this general idea, because I think it does not meet the issue that we are faced with in the country, that is all.

I do not question what you have said at all. I think we ought to plan. I think we ought to have lists of projects. But it always comes back to paying out money, whether it is gathered by taxes or borrowed, or what not. And, to me, that is not the essence of our problem in America. The essence of our problem in America is to direct our thinking toward making the individual enterprise system work without any supplementary Federal stuff, that is all.

I do not disagree with you about the bill a bit to that extent. I do disagree with you about the matter of permanent economic policy. But I am now talking as a man sitting up there in the bushes, where I go as fast as I can get there, thinking of this country of mine, and very much interested in it. This approach, in my opinion, does not meet the issue. That is all I am trying to say. And instead of just saying that and going home, I am trying to put down here on a piece of paper what I spent 10 years thinking about and which I have written down in this little book which you may have seen, as the contribution of one private citizen on nobody's pay roll, to the current thinking, because it rests upon a great many years of personal experience and observation.

Mr. COCHRAN. I can't see how you can help private industry by handling them out money or repealing laws and let them do anything they desire. We have to protect the public. If we are going to repeal antitrust laws and if we are going to repeal the laws that prevent unfair trade practices, if we are going to repeal the laws that prevent false advertising and everything like that, we might help a class of private industry, but I don't want to help that class.

Mr. HEWES. I don't either. I would like to read you what I say on that, Mr. Cochran. I don't agree with that. My whole life has been spent in small business. I feel very strongly on the small-business situation, because I have worked for a lot of them.

Mr. COCHRAN. As I understand this bill we are helping private industry, telling private industry, "You go ahead and do the job, and we don't want to step in, but if it is necessary to step in, we are going to be ready with something in the way of advanced planning. We are going to have some kind of lasting improvements. That is my view of this bill all the way through. That is all I have to say.

Mr. HOFFMAN. Your statement on page 1, paragraph 2, skipping a few nonessential words, reads this way:

The bill proposes not to deal with an emergency but to present a permanent economic national policy resting entirely on an economic and political system which has hitherto failed to function to our satisfaction.

Do you mean by that that the system that we have followed down through the years has failed?

Mr. HEWES. Yes, sir; by and large I would say that is always true. I don't know of anything that meets the situation fully.

Mr. HOFFMAN. I don't mean that, I mean speaking generally.

Mr. HEWES. Speaking generally, Mr. Hoffman, what I mean by that is that, starting in the 20's there was a slow, discernable increase in the number of unemployed in this country. That came to a head in the beginning of the depression—

Mr. HOFFMAN (interposing). Just a minute. That was true in 1895, too, and it was true in 1873.

Mr. HEWES. I am speaking statistically. All I am trying to say is that it is my understanding that this so-called "private enterprise system" we had was not keeping up with the increase in population in order to have everybody working, and in the 30's it got so that no matter what we were doing, we didn't come out of the depths. Now, I say that was not a satisfactory situation to the people of this country. It was not to me.

Mr. HOFFMAN. Just a minute. We came out of it always before. We came out of it in 1873 and 1895—we came up for air anyway.

Mr. HEWES. Yes, sir.

Mr. HOFFMAN. Now in 1930 you say we did not, but in 1930 didn't we enter upon a new system; that is, providing money, as Mr. Cochran suggested, to anyone that we thought might need it, in exchange for anything they might offer to do? Didn't we change our policy in the 30's?

Mr. HEWES. Oh, we did not change the fundamental aspects of the economy at all.

Mr. HOFFMAN. We changed the practice. Before that we worked out of it in the hard way, didn't we?

Mr. HEWES. Yes, so far as I know.

Mr. HOFFMAN. Well, you were alive in 1895?

Mr. HEWES. Yes, sir, just about.

Mr. HOFFMAN. Then before we came down to the thirties we let people go along and work out of it the hard way, and then the Government began to spend millions and millions of dollars for relief, as Mr. Cochran suggested, didn't they?

Mr. HEWES. Yes, sir.

Mr. HOFFMAN. That was a change from our old way of doing, wasn't it?

Mr. HEWES. Yes, sir.

Mr. HOFFMAN. Aside from that you would not say that our political and economic system had been a failure, would you?

Mr. HEWES. Yes, sir.

Mr. HOFFMAN. Do you know of any system anywhere in the world that has given more to the man who works or the man who engages in business or industry than our own country?

Mr. HEWES. No, sir.

Mr. HOFFMAN. Then if we had the best there was in the world, by what standards do you say we failed?

Mr. HEWES. I don't say that.

Mr. HOFFMAN. Isn't that what you said?

Mr. HEWES. No, I don't mean that at all. That is what I have tried to state in this little presentation I am talking about. I think the system has slowly failed to work satisfactorily because it has gotten too big. That is as simple a way as I can see it.

Mr. HOFFMAN. You mean the frontiers are gone?

Mr. HEWES. No; I don't mean that at all. I think business has gotten much too big. I think the small concerns that I know more about in my own State have become less and less capable of engaging competitively in the general market situation. I think the Government has grown pretty big and takes too much money. I believe that the practice of Government interference in free markets has grown up, all of which I have tried to express in my statement, and that is why we have slowly developed into a race of people dependent upon money instead of a race of people dependent largely upon ourselves.

Mr. HOFFMAN. Just a minute—because I want to be brief, if I may. I have always proceeded on the theory that when you had to judge anything, whether it was a hog at the county fair or this, that, or the other thing, you always had some sort of a standard.

Mr. HEWES. That is right.

Mr. HOFFMAN. By what standard are you claiming that our system is a failure?

Mr. HEWES. I said that the private-enterprise system and the governmental system was a failure because when we had had this system for a period of 10 years, at the end of that time there was a very large number of unemployed people.

Mr. HOFFMAN. I grant all that, but in what other country was it better?

Mr. HEWES. Mr. Hoffman, it was not any better. This is the greatest country in the world.

Mr. HOFFMAN. All right; how do you say, if we were at the top of the heap, that we have been a failure?

Mr. HEWES. I would say, to answer your question categorically, I happened to be down here in the Treasury and in other places in that period, and I have the distinct feeling that the people of this country did not feel that everything was the best for all that it possibly could be.

Mr. HOFFMAN. That is always so; it don't make any difference what the times are.

Mr. HEWES. We had a lot of people out of work. The difficulties of small business were increasing. I know that where I come from the average man was probably not as well off as he was 3 years before, in terms of the buying power of his money and ability to get a piece of land and have a home, and that sort of thing.

Mr. HOFFMAN. We had more homeowners then than we ever had before, didn't we?

Mr. HEWES. That may be possible. I don't know.

Mr. HOFFMAN. One of the things that puzzles me about your statement is the standard by which you are judging us and finding that we are a failure.

Mr. HEWES. I don't say that.

Mr. HOFFMAN. That is what you say in the second paragraph here.

Mr. HEWES. I say, "has hitherto failed to function to our satisfaction."

Mr. HOFFMAN. All right. Of course, now, don't misunderstand me. I am never satisfied.

Mr. HEWES. Neither am I.

Mr. HOFFMAN. If I had everything I asked for today I would be back tomorrow wanting something more.

Mr. HEWES. That is right.

Mr. HOFFMAN. Just speaking generally and viewing, you might say, the whole world, our system has served pretty well?

Mr. HEWES. I think it has done wonderfully, but I think it can do better.

Mr. HOFFMAN. That is something to be hoped for and prayed for.

Mr. HEWES. That is all I am talking about.

Mr. HOFFMAN. I thought you were just knocking the whole USA system.

Mr. HEWES. No; I love it.

Mr. HOFFMAN. Over here on page 10, second paragraph, you say: "To meet budget there could be a straight annual levy on all incomes, the proceeds to be paid to a debt retirement commission, which would determine what obligations to pay off." Then you have another one on small incomes, "another straight levy." That goes on every income. Would you have two separate tax levies, the money to be earmarked for the purposes designated here?

Mr. HEWES. No; I would not have two separate ones, but what I have been trying to get straightened out in my own mind is this: I think it is very important as we look ahead in this country, that it should be more carefully determined where the money is coming from and where it is going to, so that when people pay taxes they will have some better idea of the designation of the revenues. Now, I have lived in small towns since I left college, two small towns, and have taken an active part in town meetings, so I was born and brought up as a boy on the idea that you can keep track of the revenues if you set about it and know pretty well what you are doing.

Mr. HOFFMAN. What you mean is when you get a local tax bill it says so much for township, so much for school, so much for this, that, and the other?

Mr. HEWES. No; what I mean is we have a budget in our town and we do as most of the New England towns do, go into a town meeting and look it over. You see so much for this, so much for that, and so on.

Mr. HOFFMAN. You vote so much for highways, so much for schools, so much for other purposes.

Mr. HEWES. Very simple; but here we have all manner of taxes, and I believe it would greatly simplify our procedure if we had separate budgets and a separate indication of where the money to meet the Budget comes from.

Mr. HOFFMAN. What do you mean by this paragraph then, that to retire our national debt you levy a tax on all incomes?

Mr. HEWES. Yes, sir.

Mr. HOFFMAN. Would that be stated on the tax bill?

Mr. HEWES. Oh, no; that would be just an accounting.

Mr. HOFFMAN. That is just one item in the tax budget to be presented to the Appropriations Committee. We do that now, don't we?

Mr. COCHRAN. Have you thought in mind that if we pass legislation that involves a new appropriation, there should also be attached to it another title providing where we should raise the money to pay that?

Mr. HEWES. In the final analysis, but going way ahead of that, Mr. Cochran, I have studied this budget thing some, and I have learned a little about it in the Treasury, and I have since given a lot of thinking to it, and I have especially given a lot of thinking to the President's budget message, which to me is just a top-side job, a pretty hard thing to cope with, and I think that instead of having one budget we ought to have five separate budgets.

Mr. HOFFMAN. That is what I have been asking you.

Mr. COCHRAN. Haven't we a law providing for the sinking fund in the Treasury Department to retire the public debt?

Mr. HEWES. I don't know.

Mr. COCHRAN. Well, we have—if we can get some money to put in there.

Mr. HEWES. If you are going to meet budget No. 1 you could say we are going to have such an such a tax for that. Then if you are going to meet budget No. 2 find out how much you are going to spend on No. 1 and add No. 2 to it, and at that stage of the game you will know what those two budgets are.

Mr. HOFFMAN. What are you going to tell the taxpayer? Give him the whole thing on one bill?

Mr. HEWES. No, sir.

Mr. HOFFMAN. You are not telling him anything?

Mr. HEWES. No; I am just thinking of the public.

Mr. HOFFMAN. You are talking about town meetings. I used to go to town meetings, and somebody would move that we levy so much of a tax for highways.

Mr. HEWES. Yes.

Mr. HOFFMAN. You did that, didn't you?

Mr. HEWES. No; we didn't do that.

Mr. HOFFMAN. You were way behind time. Then we voted at the town meeting how much we would spend for schools and how much for other things. Now, when I get any tax receipts from home it is on there, so much for schools, so much for this, that, and the other. Is that what you mean by paragraph 2?

Mr. HEWES. No; it is not.

Mr. HOFFMAN. Then I don't see how that is any different than the present system. Do you, Mr. Cochran?

Mr. HEWES. Yes; I think it is.

Mr. COCHRAN. I can't see how it is any different, except that it provides for collecting money through taxation for a specific purpose, and it is to be earmarked for that purpose.

Mr. HEWES. That is right.

Mr. HOFFMAN. Is that your thought?

Mr. HEWES. That's right.

Mr. COCHRAN. We are to collect a certain amount and earmark it for a certain purpose. In other words, we are to collect a certain amount for Army and Navy, a certain amount for Social Security, and so on down the line.

Mr. HEWES. I only have five divisions of this thing, the way it strikes me. There would be an indication of what was going to be spent to pay the interest and principal of the debt, then maintenance of the Army and Navy during the present emergency, then general Federal expenditures, then what I call "Federal aid" which is—

Mr. COCHRAN (interposing). But there is one feature in your remarks here in the appendix to the effect that you advise setting up some kind of economic court.

Mr. HEWES. I do.

Mr. COCHRAN. You say the Federal Trade Commission and the Department of Justice cannot cope with the present situation?

Mr. HEWES. Yes, sir; that is my belief.

Mr. COCHRAN. Are you not throwing a monkey wrench into the machinery when you want to set up some other controlling agency beside the Department of Justice and the Federal Trade Commission?

Mr. HEWES. No; I would abolish the Federal Trade Commission.

Mr. COCHRAN. You would?

Mr. HEWES. Yes.

Mr. COCHRAN. That Commission is the best protection the general public of the United States has.

Mr. HEWES. Mr. Cochran, I think it can be done more effectively through a decentralized procedure. That is all. I think the problems are too great. I know something about the Federal Trade Commission. The principle of it is fine. I think the principle is perfect. I think we ought to go a great deal stronger, as I have tried to express in my statement.

Mr. COCHRAN. You don't think it goes far enough?

Mr. HEWES. I am talking about making it flexible. That is all I am talking about. And I have seen enough of the attempt to enforce the antitrust laws, which I feel very strongly about in the centralized thing that we now have, and I have participated in some antitrust suits, and they just drag on for years and years and years. It is an awful thing. The private man today, Mr. Hoffman—and I have tried suits myself—the private citizen today is in a pretty tough spot when it comes to enforcing rights onto the antitrust laws. I was in one case that took about 8 years. It believe in enforcing the antitrust laws, and I don't believe in interminable delays.

Mr. COCHRAN. Do you believe in the decentralization of industry?

Mr. HEWES. I certainly do.

Mr. COCHRAN. Then how can you help but support the antitrust laws?

Mr. HEWES. I think they ought to be supported, and I think they ought to be stronger, very much stronger.

Mr. COCHRAN. If you will read up on the work of the Federal Trade Commission I think you will make the same statement about their work. In the end you will say they should be stronger. When you realize what they have accomplished and how they are holding thousands in check from robbing the public, you will say, "Make the laws stronger, pass more laws, and give them more power."

Mr. HEWES. I believe in all of that, only I would decentralize it, that is all, because it is too big a job to do in Washington.

Mr. HOFFMAN. Did I understand you correctly awhile ago when you said that we have failed in the job of providing for the people because we have grown too big?

Mr. HEWES. Yes, sir.

Mr. HOFFMAN. Then over here on page 12 you say the Departments of Commerce, Agriculture, and Labor should be abolished, and any necessary functions which might be retained in the national interest should be transferred to the Interior Department or the proposed Department of Economics.

Mr. HEWES. Yes, sir; that is what I believe.

Mr. HOFFMAN. You are making something bigger there, putting all three into one, or are you going to trim each one down before you stick them into some other department?

Mr. HEWES. Yes, sir.

Mr. HOFFMAN. Is that what you are going to do?

Mr. HEWES. That is what I would like to see done.

Mr. HOFFMAN. So that when you got through with the combination your result would be smaller than the three of them before you started?

Mr. HEWES. There would be 8 departments in the Cabinet instead of 10.

Mr. HOFFMAN. Now, do you think anybody—I agree with you on the statement—do you think it is possible to put through your statement at the top of page 12 that the Federal Government should be limited to purposes which indisputably serve the national life as a whole?

Mr. HEWES. Yes, sir; I believe that.

Mr. HOFFMAN. Do you think you can get anything like that through Congress?

Mr. HEWES. I think that finally we have got to.

Mr. HOFFMAN. That is another thing to hope for and try for; is it?

Mr. HEWES. Yes, sir.

Mr. WHITTINGTON. Would the independent agencies fall into that group?

Mr. HOFFMAN. Just a moment now. If we did that, we would do away with TVA and the triple A, farm programs, and all.

Mr. HEWES. I don't think it would affect TVA.

Mr. HOFFMAN. You think that is to the national interest, do you?

Mr. HEWES. I think it is worth trying out.

Mr. HOFFMAN. There you go. You want to experiment, just like every one of these fellows who comes in with another plan, don't you see?

Mr. HEWES. I am just a theorist.

Mr. HOFFMAN. We were all opposed, the farmers were opposed to subsidies, but after they have had them for a while they wanted more Federal subsidies. They don't want to be pried loose from them. I grant that holds true with every single group. What are we going to do with all that? If you get back to that statement on page 12, if we follow that through, all special groups—Mr. Cochran's St. Louis people will want another big building—I don't know how many millions are going to be spent down there—probably they will want a subsidy for beer before we get through. You see our difficulty?

Mr. HEWES. Yes, sir.

Mr. HOFFMAN. We have a wonderful theory, but the minute you try to put it into effect here is a fellow pulling your coattail on that side and another fellow pulling your coattail on the other side. To convert the whole crowd you have a pretty big job on your hands.

Mr. RESA. You say in your statement on page 2:

Wage earning, for many, is at present the essential in our economy but we should, in view of our said experience, redirect our thinking toward individual economic well-being in terms of food, shelter, clothing, as well as mental and spiritual sustenance.

I take it from that that you regard the economic well-being of the people as an end that ought to be achieved by the economic system. Am I right in that conclusion?

Mr. HEWES. That is right.

Mr. RESA. In view of the existence of a national indebtedness approaching \$300,000,000,000, the great cost of servicing it, the vast financing necessary for its ultimate discharge, would you not also agree that a correspondingly adequate Federal revenue is now a necessary objective of our economic system?

Mr. HEWES. Yes, sir.

Mr. RESA. The Federal revenue must be derived, must it not, primarily from the collection of income taxes?

Mr. HEWES. I don't know. That is something that has been bothering me for 25 years. I am not sure about it because I have been laboring with it all my life, trying to reach a conclusion satisfactory to myself, and I find the same conclusion that I have expressed here, that the thing that we have which we call "progressive taxes" is progressively wrong. I think under our Constitution we have the right to levy other forms of taxes. I don't pretend to be a tax man or a great mind on those things, but I think the so-called "progressive income taxes" are very bad for America because there is no standard to determine at what point you ought to begin and at what point you ought to stop. So all I can say in answer to your question is that I just don't know.

Mr. RESA. Because of servicing the national debt, because of the great obligation that remains to be discharged to the veterans of this war, because of the necessity for the ultimate payment of the national debt, what adequate source of Federal revenue, other than income taxes, are you able to suggest at this moment?

Mr. HEWES. I am able to suggest this—I tried to do it in this memorandum of mine—if you will allow me to explain it in my own way: In my own State of Connecticut we have no income tax, and we have a very unfair burden placed upon landholders in the State. I say "unfair" because it tends to make it more difficult for people of moderate means to buy homes and own farms, and that is a very bad thing for Connecticut, and I think it is probably a bad thing generally. Now, it has been discussed up there where I come from many times privately and up in the legislature among people who are concerned about the tax system, as to whether or not it is possible to levy a tax on intangible personal property—by which I mean mostly stock and bonds. Connecticut is quite a rich State and there are a lot of people up there who have securities, and who may or may not own any taxable land, and they get off scot free, let us say, in bearing their full share of the burden of our State government, and I have suggested, and many of the legislators from time to time have expressed the thought that we

should attempt to work out a system of taxation on intangible securities in lieu of a tax on land and in lieu of a tax on incomes.

Now, I think the United States Government—you know more about it than I do, because I don't profess to know anything about it—has authority to levy taxes of any kind they want to. Now, we have moved from a society where the wealth was invested largely in physical things like land, into a society where a very substantial part of our wealth is in the form of intangible assets which, so far as I know, pay no taxes. We used to have a tax on insurance-company stock and bank stock in my State, so I know what I am talking about. That was done away with, and in lieu of that the insurance companies themselves pay the taxes. But that was true a good many years ago, that they levied taxes on the stock.

Mr. RESA. Pardon me, Mr. Hewes, my question was concerned with the revenue problems of the United States Government, and the difficulties that your State may have had in collecting its revenues does not relate to it. No revenue raised in your State is going to meet the slightest objection from the Federal Government, and in view of the fact that the Government of the United States is a Government of delegated powers, do you still adhere to your statement that the Federal Government can levy almost any taxes it wants to?

Mr. HEWES. I am talking about levying constitutional taxes. I suggest that the United States Government might be able, within its constitutional powers, to levy a tax on intangible property. That is precisely the suggestion I am making.

Mr. RESA. Intangible property is also dependent, is it not, upon income?

Mr. HEWES. Yes, sir.

Mr. RESA. So that even to provide a source for that kind of taxes you would have to have incomes that can be taxed in one way or another?

Mr. HEWES. That is correct.

Mr. RESA. So you come right back to the statement I made in the beginning: that the source of revenue necessary to meet the obligations of the Federal Government must primarily be incomes.

Mr. HEWES. Well, if I may be permitted to say so, I think a tax on intangible personal property at a level rate would be a pretty sensible tax.

Mr. RESA. But you have to levy the tax on the value of the intangibles, and intangibles have no value unless they are supported by income that ultimately discharges the obligation.

Mr. HEWES. That is right. But there is a lot of difference between taking 90 percent of that and 10 percent.

Mr. RESA. That is not the question. Incomes are created by and depend upon, do they not, the circulation or exchange of values?

Mr. HEWES. Yes, sir.

Mr. RESA. If every man raised his own food, produced his own clothing, owned his own shelter and purchased nothing, you would have no income that could be taxed; you would have no intangibles that would represent value. Is that right?

Mr. HEWES. Yes, sir.

Mr. RESA. Now, if we grant for the present moment that a decentralization of industry is ultimately desirable, do we not still face the

fact that at the present time our economy is committed to and dependent upon mass production?

Mr. HEWES. No; I wouldn't say so. I wouldn't answer "Yes" to that. You say "at the present time." You mean within the next 5 years?

Mr. RESA. Within the next 10 years.

Mr. HEWES. Yes; I would say that was true.

Mr. RESA. Is it not a fact that mass production depends upon, in fact is impossible without mass purchasing power?

Mr. HEWES. I would say "Yes," only I don't like the word "mass."

Mr. RESA. Well, let me put it this way: Upon a widely distributed and substantial purchasing power?

Mr. HEWES. Yes, sir.

Mr. RESA. Is it not a fact that in the present state of our economy, which is likely to continue for at least 10 years, such a widespread and substantial purchasing power is possible only if we have substantially full employment?

Mr. HEWES. Yes; I think that is true.

Mr. RESA. One of the talents that distinguishes the competent businessman is his ability to appraise an economic situation before it hits him; is that right?

Mr. HEWES. Yes, sir.

Mr. RESA. So that if there is in the offing, in the opinion of the competent businessman—and they are many—a falling off of employment, resulting in a substantial decrease in purchasing power, he adjusts his business operations accordingly; does he not?

Mr. HEWES. Yes, sir.

Mr. RESA. And if that falling off of purchasing power portends a seriously diminished market for his goods, he reduces his production; does he not?

Mr. HEWES. Yes, sir.

Mr. RESA. And that reduction of his production results in unemployment, does it not?

Mr. HEWES. Yes, sir.

Mr. RESA. Also the working man, when he sees unemployment in the offing, decreases his spending, naturally, does he not?

Mr. HEWES. Yes, sir.

Mr. RESA. And that decrease of spending produces unemployment?

Mr. HEWES. Yes, sir.

Mr. RESA. So that the fear of unemployment is, in fact, one of the causes of unemployment. Is that not right?

Mr. HEWES. Yes, sir.

Mr. RESA. Do you not think that in operation the Patman bill will have the effect of allaying that fear?

Mr. HEWES. Where? You mean among the employers or the employees?

Mr. RESA. Among both.

Mr. HEWES. Well, I don't think so. That is just my own opinion.

Mr. RESA. Well, how could a businessman fail to have more confidence in future employment if he knew that the number of the employed and the rate of the national income would remain substantially the same? How could he fail to have more confidence in the continuance of widespread substantial purchasing power?

Mr. HEWES. I think he would have confidence in it, provided it came about in a natural way, but, like my own business life, I would think that this bill would not tend to make him feel that the carrying out of the provisions of this bill would bring about this situation that you speak about.

Mr. RESA. How could the provision of spending power concur with the fear on the part of the businessman that spending power was about to cease?

Mr. HEWES. I don't believe I understand that question.

Mr. RESA. Well, this bill in operation will provide a continuation of the number of those employed in gainful work. In other words, this bill says that those who would otherwise be unemployed will continue to be employed. Doesn't that offer to the businessman and to the working man a relief from the fear which causes on the part of the employer a reduction in production, a reduction in employment, and on the part of the employee reduction in expenditures?

Mr. HEWES. No; I don't agree with that at all.

Mr. RESA. Why wouldn't it?

Mr. HEWES. Because the whole theory of this bill and the theory back of the bill is that you can produce a satisfactory economy by spending money, and I don't believe you can, and I don't think there is any businessman who does.

Mr. RESA. Have you read the provision of this bill which provides, first, that we must, in effect, depend upon the natural operation of private industry?

Mr. HEWES. Yes.

Mr. RESA. And if that is not sufficient, we must depend upon the operation of private industry aided by the encouragement of such measures as the Federal Government can provide, and that those two conditions must be given an opportunity to produce the results before there is any proposal to expend any Federal funds at all?

Mr. HEWES. Yes; I have read that.

Mr. RESA. Well, in the light of that do you regard this bill as a substitute for private industry?

Mr. HEWES. Oh, no; but I think that if this bill were taken literally for what it provides, and if measures were taken pursuant to the bill in an unemployment situation, that would not produce the situation that you speak about of allaying the fears of businessmen of unemployment.

Mr. RESA. Why not?

Mr. HEWES. Because I think it tends to bring about a situation where money would not buy anything, relatively speaking, and the things that a person had to have he would not get.

Mr. RESA. Why do you say that?

Mr. HEWES. That is just my opinion.

Mr. RESA. That is the only answer you care to give?

Mr. HEWES. Yes; that is correct.

Mr. RESA. That is all I have to ask.

Mr. COCHRANE. There is one question I would like to ask before you get through. Would you favor a general sales tax on the people of the United States, levied by the Federal Government?

Mr. HEWES. I don't know. A general sales tax levy by the Federal Government would probably have a lot of exceptions associated with it.

Mr. COCHRAN. Would you favor it with no exemptions?

Mr. HEWES. No; I would not.

Mr. COCHRAN. You would want to exempt the necessities of life.

Mr. HEWES. I would want to have very soundly framed exceptions, and I am not competent to state what they should be.

Mr. COCHRAN. I am against a general sales tax. You do not have in mind a substitute for some of our present taxes that we raise by means of excise taxes such as tobacco, liquor, beer, and so forth.

Mr. HEWES. No; I have not. I haven't thought about that at all, Mr. Congressman.

Mr. COCHRAN. That is all.

Mr. RESA. One more question, Mr. Chairman.

Mr. Hewes, is my recollection faulty when I say that I seem to recall that your neighbor State at least, and possibly your own, has discovered that a sales tax that makes any exceptions or creates any differences in the rate of tax involves so much auditing, so much expense of collection and difficulty and expense in checking up and enforcement that it has not been found to be workable, has been unprofitable?

Mr. HEWES. I don't know that, sir. I have never had any experience with a sales tax in my own State, and I don't know about the effect of a sales tax. We have a sales tax on gasoline in my State. I think that is the only sales tax we have.

Mr. WHITTINGTON. H. R. 2202 has, as indicated by its title, for its objective full employment, and you oppose this bill because, among other things in our system of government, the objective should be an opportunity for full employment rather than a guaranty or alleged guaranty of full employment?

Mr. HEWES. Yes, sir.

Mr. WHITTINGTON. The second branch of your opposition, as I understand it, is that this legislation does not purport to deal with an emergency that is alleged to exist in truth and in fact, but it undertakes to establish an economic national policy?

Mr. HEWES. Yes, sir.

Mr. WHITTINGTON. At this time when an emergency does not exist, and therefore we are not dealing with an emergency?

Mr. HEWES. Well, I don't feel quite that way about it.

Mr. WHITTINGTON. What do you feel in regard to that one thing? What is the policy that this bill establishes?

Mr. HEWES. This bill, as I read it carefully, proposes to establish a permanent economic policy for the country, to bring about and maintain what is called full employment.

Mr. WHITTINGTON. And you don't feel that we have an emergency with respect to unemployment at the present time?

Mr. HEWES. My thinking never revolves around emergency in connection with this bill.

Mr. WHITTINGTON. Well, pardon me, you stated that it does not propose to deal with an emergency. I quoted your language.

Mr. HEWES. That is right.

Mr. WHITTINGTON. So evidently you did have in mind the word "emergency" and the term "emergency" when you said it did not deal with emergencies.

Mr. HEWES. No; I did not have in mind any emergency. I don't know that we have an emergency.

Mr. WHITTINGTON. Well, I do want to find out what you mean. As I understand it, your objection, your second objection, is that this bill does not deal with emergencies—using your language in paragraph 2, page 1—but with a permanent economic policy?

Mr. HEWES. That's right.

Mr. WHITTINGTON. And thirdly, that it undertakes to provide a permanent economic policy that is not based upon sound principles?

Mr. HEWES. That is correct.

Mr. WHITTINGTON. Because, among other things, it contemplates spending as the way out?

Mr. HEWES. That is right.

Mr. WHITTINGTON. And that if we are to judge the future by the past, that spending contemplates borrowing?

Mr. HEWES. Yes, sir.

Mr. WHITTINGTON. And the borrowing contemplates deficit spending?

Mr. HEWES. Yes, sir.

Mr. WHITTINGTON. And deficit spending inevitably will lead to the difficulties of inflation?

Mr. HEWES. Yes, sir.

Mr. WHITTINGTON. As you point out. So that you oppose this bill because we are undertaking, to use my language—and if it does not give the thought that you have in mind in another way, I will be glad if you will correct me—we are undertaking to provide for unemployment when it may arise, by a repetition of the policy that we have heretofore adopted during the thirties, of spending ourselves back into full employment?

Mr. HEWES. Yes, sir.

Mr. WHITTINGTON. And you think that that is unsound?

Mr. HEWES. Yes, sir.

Mr. WHITTINGTON. And you feel that the better approach to the problem that we should have in mind to prevent unemployment, is to emphasize the matter of the individual, the matter of State functions and Federal functions in public works and planning, and that the sound approach would be to provide and encourage, undertake to encourage in your solution of the problem the production of goods and services, rather than the multiplication of the printing press, that might or might not have value in the ultimate solution of the problem?

Mr. HEWES. That is correct.

Mr. WHITTINGTON. So do you object to and oppose this bill because it is typical of what we undertook to do in the thirties?

Mr. HEWES. That is correct.

Mr. WHITTINGTON. And it overlooks the fact that the well-being of the Nation, the production of goods and services, are not a single piece of legislation, and that there is no panacea that will provide for it?

Mr. HEWES. That is right.

Mr. WHITTINGTON. But that the solution contemplates a sound, long range program that will enable the individual to cultivate his initiative, to provide a home, to secure food, and thus to promote the individual well-being of the Nation?

Mr. HEWES. That is correct.

Mr. WHITTINGTON. And in this permanent policy you state that while work provided by the Federal Government, of types not defined,

would result in and require indefinite spending, there is a place for real, constructive Federal works that are national in their scope, works such as those that conserve our soil, work such as those that protect the lives and property of the people from floods, and works that will result in the building of homes and shelter for the citizens of the country, and the production of food for our country?

Mr. HEWES. I do.

Mr. WHITTINGTON. And the points that you emphasize are that the permanent policy should be an examination of and improvement of our over-all system for taxation, and for Government that would encourage the States more nearly to provide for the functions that the States are to exercise, and the Federal Government should deal with national functions?

Mr. HEWES. That is exactly what I believe; yes, sir.

Mr. WHITTINGTON. And, if I can sum up—and if you can do it in better words I would be glad to have you do so—your objection to this bill finally is that instead of providing for full employment, the bill will provide for a repetition fundamentally and permanently of unemployment in an unsound way, by deficit spending?

Mr. HEWES. I feel that if that is the way it is carried out, that is what will result, in my opinion.

Mr. WHITTINGTON. As you read between the lines, can there be in the minds of those who framed this legislation any objective except spending, except to undertake to lead the unemployed or those desiring employment now, into the belief that whether private industry or private enterprise provides employment or not, they may rest assured that the Government will provide it?

Mr. HEWES. I feel that that is the case.

Mr. WHITTINGTON. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Hewes, if spending is the secret of prosperity, would it not be logical to assume that we could just print a lot of money and hand it over to everybody and let them spend the money?

Mr. HEWES. Yes, sir.

The CHAIRMAN. Isn't it also necessary to produce wealth to be sold and exchanged for the paper that we call "money"?

Mr. HEWES. I think, to quote the saying of Benjamin Franklin, which is the nearest thing to my idea I have ever seen, that you have to produce in order to have the money that we are using worth much.

The CHAIRMAN. There is a maximum of Federal works that could be constructed, after you reach the maximum, the benefits derived therefrom would go downward, wouldn't they?

Mr. HEWES. I think that is true, and what I feel basically is that what we really want in this country, what I want, what my children want, my two boys and their families, and your families, are food, clothing, shelter and home and opportunity for happiness, and that does not come from the printing press.

The CHAIRMAN. In order to give employment we might build a concrete highway 10 feet thick, although it might not be needed, but it would provide employment.

Mr. HEWES. Yes, sir, but you can't eat it.

The CHAIRMAN. That's all.

Mr. HOFFMAN. I suppose you believe that there will always be more or less difference of opinion between those who have jobs to give and those who want jobs, as to the wages and hours of employment?

Mr. HEWES. I do.

Mr. HOFFMAN. You will never get away from that.

Mr. HEWES. No, sir.

Mr. HOFFMAN. On page 3 of H. R. 2202, paragraph (e) it provides:

To the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment.

That assumes, does it not, that it is our responsibility, that the Federal Government is going to do it?

Mr. HEWES. I would think that is what the bill means. That is what the average man like myself would think, that that is the purpose of the bill.

Mr. HOFFMAN. That is to say, if I am General Motors and I have a thousand jobs, and you are a thousand employees, and I don't give you the kind of jobs you want, or as the unemployment bill has it, "a suitable job," the Government will do it? Is that a logical conclusion?

Mr. HEWES. I don't know. I don't think I know enough about it to answer that. I think that goes a little further than the original question. I am not sure that I would say that just as an ordinary citizen I would interpret that in the bill, as much as I would the first thing you said.

Mr. HOFFMAN. You are familiar with the press reports of the situation at General Motors, the demand for 30 percent increase?

Mr. HEWES. Yes, sir.

Mr. HOFFMAN. And any other corporation which ordinarily would have jobs will be confronted with a 30 percent increase?

Mr. HEWES. Yes, sir.

Mr. HOFFMAN. Now, if General Motors cannot, as they say in their ad—or will not—give that increase, and the employees say they won't work for any less, under this bill—and I am asking you, too, Mr. Cochran—would the Government be under any obligation to give them jobs at 30 percent more than they are getting now?

Mr. WHITTINGTON. Which one do you want to answer?

Mr. HOFFMAN. You heard me, Mr. Cochran?

Mr. COCHRAN. I heard what you said.

Mr. HOFFMAN. Why think so much about it? You know more about this bill than anyone else here.

Mr. COCHRAN. No; I don't know more about it than anyone else, but I don't think there is any direct obligation on the part of the Government by the language of this legislation to absolutely guarantee everyone in the United States a job that wants to work.

Mr. HOFFMAN. Not to everyone but to most people. Of course, the bill concedes that there will be unemployment always. We all know that. Some folks won't want to work, and some won't be able to work, but, by and large, the theory of the bill is, as I get it from your statement—and I think you are right—to provide an agency which will, in anticipation of mass unemployment, lay out a system of public works useful, as distinguished from ornamental or worthless, whereby or by means of which the unemployed can have employment.

Mr. COCHRAN. In situations where it is necessary for the Federal Government to step in. This provides for advanced planning for lasting public works.

Mr. HOFFMAN. Such as river and harbor improvement?

Mr. COCHRAN. Rivers and harbors are only beneficial to the people in the community where the rivers and harbors are located.

Mr. HOFFMAN. And flood control?

Mr. COCHRAN. Flood control is only beneficial to the communities where the flood control has to be taken care of, but there is a tremendous area in the United States that is not flooded or is not affected by river-and-harbor improvement and flood-control improvement, therefore you have to have some other plan to take care of that area.

Mr. HOFFMAN. Now, supposing we have a Republican administration—

Mr. COCHRAN (interposing). Oh, that is not before us. Leave out politics.

Mr. HOFFMAN. No politics in that—and we have what we think will be an era of unemployment—

Mr. COCHRAN (interposing). I hope we won't have either one. [Laughter.]

Mr. HOFFMAN. Well, you do accept the first part of it anyway. This is off the record.

Now, let's get back to the bill. When this mass unemployment comes—

Mr. COCHRAN (interposing). We have a businessman from Connecticut here as the witness.

Mr. HOFFMAN. Maybe you will answer this if Mr. Cochran can't. When this mass unemployment comes, assuming that it comes, and private industry and the employees cannot agree upon either wages or conditions of employment, then the Federal Government is to take over when this deadlock comes? Isn't that right, under this bill? If it means anything, isn't that what it means?

Mr. HEWES. You want me to answer?

Mr. HOFFMAN. Yes.

Mr. HEWES. My feeling would be that that is not the real intent of the bill.

Mr. HOFFMAN. What does this section (e) mean, then?

Mr. HEWES. That is a pretty elastic term, but an ordinary fellow like myself reading the bill, I don't think would come to the conclusion that it was the intent of the Congress to provide full employment at a rate that was in controversy if the employer would not pay it. I don't feel that that is what this bill means.

Mr. HOFFMAN. It says:

To the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment.

That is, to take up the slack.

Mr. HEWES. Yes, sir.

Mr. HOFFMAN. Suppose there were 12,000,000 unemployed today, then you would have a condition which is outlined in section (e).

Mr. HEWES. Yes, sir.

Mr. HOFFMAN. Suppose General Motors says, "We can't pay the wage demanded"; and the employees say, "We won't work for less." Under that section the Government is bound to provide jobs. Now, what worries me is that what rate of pay. Is the Federal Government to become a competitor with General Motors in bidding for the services of these would-be employees?

Mr. HEWES. Well, the thing that worries me is what the man is going to do with the pay when he gets it.

Mr. HOFFMAN. Well, they will take care of that. You have not answered a question which is sure to arise if this bill becomes law.

Mr. HEWES. You have got to eat three times a day, and you have got to wear some clothes. That is what bothers me.

Mr. HOFFMAN. You can't do anything about that. You can't tell the wage earner how to spend his money. When employees had good wages some of them bought homes and some of them bought silk shirts, and there you are.

Mr. HEWES. The stuff that people need must be produced. That is the only thing that worries me, the production of the stuff that the man is going to spend his money for. I don't care what he spends it for, if spends it for something.

Mr. HOFFMAN. I just want to know how to make the program work.

Mr. HEWES. I don't know. There is nothing in the bill—

Mr. HOFFMAN (interposing). I don't think anybody else does.

The CHAIRMAN. Our next witness—

Mr. CHURCH (interposing). Just a minute, Mr. Chairman—you just answered that there was nothing in the bill. Would you briefly finish that answer? What is the intent of the bill involved in your statement? Will you clarify your answer, Mr. Hewes? You answered Mr. Hoffman that it is not the intent of the bill. Will you briefly answer that?

Mr. HEWES. Of course, what I say, you understand, is simply as a private citizen. My feeling of what this bill means is what it says, that it is the intent of Congress, as set forth in the bill, that the people should have jobs to do and work to perform, and that is what is meant by "full employment."

Mr. CHURCH. That is all. Thank you very much.

Mr. WHITTINGTON. I think we are very much obliged to you, Mr. Hewes. You have been a very fair witness.

Mr. RANDOLPH. I appreciate, Mr. Hewes, your having placed before the committee your belief that there should be a consolidation of the War and Navy Departments into a single Department of Defense. This committee will shortly begin hearings on that subject, and I hope that we will report favorably legislation to bring about this necessary reorganization in the near future.

Mr. HEWES. Thank you, Mr. Chairman.

The CHAIRMAN. Our next witness is Mr. Austin T. Levy, of Harrisville, R. I. You may proceed, Mr. Levy.

STATEMENT OF AUSTIN T. LEVY, PRESIDENT, HARRISVILLE COMBING MILLS, INC., HARRISVILLE, R. I.

Mr. LEVY. Mr. Chairman and gentlemen of the committee, my name is Austin Levy, president of Harrisville Combing Mills, Harrisville, R. I. I appear before the committee in my own behalf. I have given a great deal of time in the last 15 years to this subject.

Mr. WHITTINGTON. Were you before the Senate Finance Committee on this bill?

Mr. LEVY. I was not.

Mr. WHITTINGTON. I mean the Senate Banking and Currency Committee.

Mr. LEVY. I was not. As I understand this matter, we are determined as a Nation that the people of the United States are not going to be in want. We believe that there are two ways in which our object can be accomplished. One is through the existing economic system, and the other by means of the economic system plus Government assistance.

I believe we are also in accord that if it can be done by the economic system as it presently is constituted, without government assistance, we would desire that. It is to that preamble that I now address myself, how we can do this through private industry without involving the Government in it.

Mr. Chairman and gentlemen of the committee, every wage earner conducts a business. His skill, his health, and his savings are his capital. His wages are his income. The maintenance of himself and his family are his expense.

If the wage earner's business is successful, that is, if his capital is maintained intact and his income is greater than his expense, he is a constant customer for all the things which he and other wage earners help to produce.

When we have 10,000,000 unemployed, it means that 10,000,000 individual businesses have come to a standstill. Soon their reserves or saving are used up. They are no longer customers except for the bare necessities of life, and finally they fall into the receivership of public relief. It is the unhappiest thing that can befall an American.

It has been our custom in the past to lay off numbers of people whenever business was dull and to hire them back when business got better. So at all times we maintained a sizable reservoir of surplus to be hired or laid off as occasion might require, without too much thought of what this did to them and with hardly any thought at all of what this did to business. When the businesses of many wage earners are in trouble all other businesses are in trouble too, for they have lost their customers and cannot sell their goods.

There is an inflexible rule which governs employment. Whenever anyone of us makes or produces any thing or service, whatever it may be, there must also be someone soon ready to buy it. If no one buys what you and I make, you and I will have to stop making it. Large-scale unemployment would be an impossibility if people could always buy whatever is produced.

There are two factors that really control unemployment: The value of what is produced in goods and offered in services, and the amount of money available to purchase what is produced and offered.

For example, if the American people produce \$200,000,000,000 worth of goods and services in a year, the American people will need to have \$200,000,000,000 to spend—less exports and plus imports—or production will have to be curtailed and unemployment will follow.

No one can foretell precisely how much we, the American people, are going to produce but any sum of money that intends to match their productive capacity must be a vast sum indeed—and this means high wages in every field. But there is no need to be frightened about that. High wages do not necessarily mean high costs. For many years higher wages and lower costs have gone forward together, hand in

hand. It depends entirely on what a man produces for the money he receives.

But the emphasis on wages should be placed elsewhere. What are high wages and what are low wages? Wages are high when they are sufficient to enable the wage earner to conduct his business successfully and wages are low when they are insufficient to enable him to do this. Stated another way, wages are high when they provide sufficient money to purchase what is efficiently produced, and wages are low when they are insufficient to do this.

So it is with prices. Prices are low when they are less than the cost of efficient profitable production, and they are high when they are more than people can pay. The correct price tag for any article or service merely expresses a reasonable relationship between the cost of profitable efficient production and purchasing ability. A pair of shoes which costs \$5 to make cannot be sold for \$3 to a purchaser who has only \$1.50 to spend. The thing that is important is that people be enabled to pay prices that will encourage and sustain profitable efficient production in sufficient volume to keep themselves employed. Continuous employment cannot be maintained in any other way.

Our problem then boils down to this: How can we provide the money that will enable the American people as a whole to purchase American production as a whole? Only available or free money will accomplish our purpose; it will do us no good if it is locked up in the hands of a few. The only way that truly great sums of money can be made available and free is in the hands of the mass of the people, chiefly as wages.

Prior to the war we had in general a 40-hour workweek in the United States. The extent of prewar unemployment was evidence that the people could not purchase the ever increasing production value of 40 hours with the then prevailing wages. Failing to diagnose the problem, we laid off some of the people and reduced the wages of those who were left. This did not cure our ailment. Instead as the value of production increased, we should have retained the people and either reduced the hours without reducing the wages, or increased the wages for 40 hours. We paid no attention to the relation between the value of production and the money available to purchase it. The war illustrates the point. It cured both depression and unemployment because the combined public and private expenditures were great enough, and more, to match the total value of goods and services available. If this condition is again reversed both unemployment and depression will be with us again.

An example of what happened throughout industry between 1927 and 1937, which included the years of the depression, is disclosed from the records of Stillwater Worsted Mills, manufacturers of worsted textiles, employing approximately 1,500 people. During that period, through which I was president of the company, the following occurred:

1. There was an average reduction in the length of the working week of 12.25 hours.
2. There was an average increase in the hourly rates of 19 percent.
3. Notwithstanding this reduction in working hours and increase in hourly rates, average unit conversion cost was reduced 16 percent.
4. This reduction in costs was due to an average increase in man-hour production of 44 percent made possible by technological developments.

5. Due to this gain in man-hour production the individual worker produced an average of 13.5 percent more goods in the 40-hour week of 1937 than he had turned out in the 49- to 54-hour week of 1927.

6. Despite the advance in hourly rates and the increase in his production, the worker's total take-home money decreased an average of 8.5 percent, because the $12\frac{1}{4}$ -hour reduction in the working week was not sufficiently compensated by the 19 percent advance in hourly rates. •

Whenever we increase total production, either in existing products or through the introduction of new ones, we must either produce the greater volume at no greater total price than the lesser volume, or we must provide a corresponding increase in purchasing power.

While the prewar depression is generally said to have started in 1929, the causes of it were developed in the preceding years.

What the country did was to create goods and services of greater total value without at the same time providing a correspondingly greater amount of money to move them. The records of the National Industrial Conference Board show that between the years 1923 and 1929, total production values in manufacturing rose 20.9 percent while in the same period total wages increased only 5.5 percent. What happened in manufacturing during the period is undoubtedly true of all enterprise.

Probably at this moment every industrial management in the land is occupied with postwar planning which in most cases revolves around arrangements of one kind or another that will enable five men to do the work that formerly required six. This is bound to take place—nothing can prevent it. If other work can be found for the men who are going to be displaced, this will not harm us. Indeed it will make life richer and fuller for all. But if we fail to find work for those who are displaced, that is if we fail to provide the money to buy what all of us produce, our country will face a crisis far different from anything in its past.

From now on free enterprise and unemployment will not dwell together in America. One or the other will go.

There is general agreement that it is the creation of new wealth that determines how high our standard of living can be. Not so clearly understood is the fact that the value of existing wealth depends on the sustaining power of continuing income.

At this moment a dangerous conflict rages across our land. Force or arbitrary compromise have been offered as solutions. But the means for evaluating the matter under dispute are not present and until they are, there will be no satisfactory answer.

However such means are readily available, and I propose that a running inventory or census of unemployment can be made the basis for providing a simple, prompt and effective means for bringing the main factors of our economic life into a comfortable working relationship with one another.

We must accept the fact that we must always have a certain amount of floating unemployment in our country to provide our necessary reserves of man hours. No economy can get along on an absolutely even keel. There have to be certain margins, certain reserves. We cannot have just enough washing machines to meet the needs of the population. We have to have reserves of cash in every enterprise, including the enterprise of running a family, which is very difficult to

do without a bank account. But there is a vast difference between necessary reserves and crushing surpluses, and we know from bitter experience that when we have ten or twelve million unemployed we are in serious trouble.

Two questions arise:

What is the greatest amount of unemployment we can tolerate without wrecking ourselves politically, spiritually, and economically?

What is the smallest amount of man-hour reserves that will keep us going?

Out of 56,000,000 estimated postwar employables, we must not permit more than 3,500,000 persons between the ages of 16 and 65, who want to work and are able, to be without it. Nor can we get along with fewer reserve man-hours than that number of people can provide. This number of $3\frac{1}{2}$ million should be called normal or floating unemployment. These figures of course, are subject to review.

We should have a constant running inventory or census of unemployment, so that at all times we may know where we stand on this vital problem. The mechanics for providing a workably accurate figure of national unemployment every Monday morning are simple.

With this fact-finding machinery installed and operating, and before a new unemployment begins to spread, we should establish a national workweek of 40 hours at not less than the full 40-hour wages then in force in each establishment, to take effect on a date to be set by Congress.

Whenever our unemployment census shows that unemployment seriously exceeds 3,500,000 persons, the hours in the workweek should be reduced, and as many times as necessary, without reducing the weekly pay, until the excess unemployment is absorbed.

But reaching a state of normal unemployment at a given time would only mean that we had succeeded temporarily in establishing a workable relationship between the value of national production and national income. However, such a relationship is by no means static and we would soon find that it had changed and required readjustment. Fortunately we have definite evidence as to the nature of the change that is bound to take place. Its character is so certainly indicated as to be beyond question; only the tempo of the changes is hidden from us.

From the beginning of mankind's history, by his own ingenuity and with the aid of tools, the productive capacity of the individual was increased. At no time in the history of the race has this failed; that it will continue is the one fact in our future on which we can place complete reliance.

When we have arrived at a state of normal unemployment indicating that total income is sufficient to purchase total production at that time, we should increase all wages from time to time thereafter at a rate intended to keep pace with invention and with the resulting ever-increasing value of production. As a beginning let these wage increases be 1 cent per hour at the end of every 4 months. For a working group of 50,000,000 persons this would amount to approximately 2,000,000,000 per year.

Such a rate of increase in income might be too slow to keep pace with expansion in the value of production. It is possible though unlikely, that it might be too rapid for increasing production value to keep pace with it. If the advances in wages were not rapid enough,

unemployment would increase; if the advances were too rapid, unemployment would be less than the amount we need as floating man-hour reserves and there would be scarcity and inflation. From time to time a "full employment commission," established by Congress and appointed by the President, guided by the figures of the running inventory of unemployment, would reduce or increase the length of time between these 1 cent per hour wage advances.

Thus we have the means not only for sustaining our ever-increasing wealth as we create it, but also for making wage advances coincident with increase of wealth. Furthermore the 1 cent per hour wage advances could not result in higher prices, since they would merely match the wealth that was outstripping income, as reflected in the unemployment census.

For example, if after we have arrived at a state of normal unemployment indicating that total income is sufficient to purchase total production, unemployment should then increase from 3,500,000 to 4,000,000, it would indicate that technological progress had enabled a lesser number of persons to produce what had formerly required the services of a larger number. This would mean that those still employed had increased their contribution to wealth in an amount equal to the wages of the 500,000 persons who had been displaced, and consequently at a saving in production cost of like amount. Therefore no price increase would be necessary to sustain an advance in wages, which properly timed, would provide the additional purchasing power for reemploying the excess unemployed.

However, if such an increase in unemployment was not prevented or quickly corrected, then the spiral of unemployment, feeding on itself, would continue to mount indefinitely.

It is important to note that the present needs for production will provide full employment for a limited period of time, and if the running inventory of unemployment, the 40-hour workweek, and the periodical 1 cent per hour wage increase are instituted sufficiently in advance of a decline from full employment, there would be no need for reducing the workweek below 40 hours.

Mr. Chairman and gentlemen, there is nothing new in the essence of this proposal. For a long time in our country we have been shortening the working week and increasing the pay. During the lifetime of men now living the workweek has come down in successive steps from 72 to 66, then 60, then to 54, then to 48, and then to 40 hours. And all the while these reductions in hours have been going on, the weekly wages have been increased. Within the memory of people now living a good carpenter was paid \$1.50 a day for 10 hours of work. That was 15 cents an hour.

Former economic changes have been haphazard; and they have been accompanied by dislocation and great suffering. What is here proposed will enable us to budget our economic future so that the inevitable continuing change in it will come upon us in an orderly and advantageous manner. Competition will go on as it always has. The spurs of ingenuity acquisitiveness and expansion will prod as effectively as they ever have before.

Instead of trying to cure unemployment by Government expenditure, we should prevent it from ever getting started.

The benefits of the plan: There would be constant employment of the working population, excepting the established normal or floating

reserve of unemployed. There would be no limitation on wage increases regardless of the 1 cent per hour advances. Wage earners throughout the land would have uninterrupted incomes, underwritten by the plan itself. Thus it would be unnecessary for individual businesses to run the isolated risk of guaranteeing an annual wage. A steady national income sufficient to provide a market for national production would always be present. Taxation to support large numbers of unemployed would be unnecessary. The cause of many labor disputes arising from the effects of intermittent employment, would be removed. The losses that come to enterprise through stoppage or part-time operation would cease. The money would be provided for incorporating new items into the American standard of living as fast as they appeared.

For a long time a yardstick for fixing wages was called, variously, subsistence wages, living wages, or minimum wages. It was thought that working people would be paid only so much as they must have to live, on some low and debatable scale. Low wages were regarded as a matter of concern for those who received them, without much idea that they might be detrimental to the interests of other wage earners and of those who paid them.

It seems clear that we are no longer interested in any low form of wages by whatever name, and we should think instead in terms of standards of living as they evolve from time to time—with the belief that working people must share in these standards as the only means for sustaining them—and with the discernment by those who pay wages, that unless these standards are maintained and advanced their enterprise will perish.

So in the year 1945 we should speak of 1945 wages; wages sufficient for their recipients to live according to the standards of 1945. Someone will ask: What are the living standards of 1945, and how are they to be described? The desired living standards for any year will prevail, when the people of the United States are able to purchase, afford, and enjoy all that these same people can produce in a workweek of given length, with every technical aid they are able to command.

An even higher standard of living for all its peoples is the only means by which the world's constantly expanding production can be absorbed. It is the only preventive for large-scale unemployment. It is the surest path to peace.

MR. RANDOLPH. Mr. Chairman, I would like to ask one question.

MR. LEVY, you mentioned the progressive decline in the number of hours of work per week during different periods in our history.

MR. LEVY. Yes, sir.

MR. RANDOLPH. Do you feel that the legislation that was proposed in the early thirties by the American Federation of Labor and others, to establish a flat 30-hour week, is advisable, or do you hold to what apparently, I believe, your testimony shows that at certain times there may be need to decrease the weekly hours and at other periods have it increased? Do you believe in fixing it for a certain emergency and not making it a rigid workweek?

MR. LEVY. No; that is not quite correct, Mr. Randolph. There is no proposal here quite as you describe it, as you will see when you have it before you, if you will look it over.

I think it may be possible that our production in this country will expand so rapidly that at some time we might have to reduce our

workweek to 30 hours in order to keep everybody employed. I think, however, it is the general feeling of our people that, socially, it would be an undesirable thing; that we are better off with a 40-hour week; that 30 hours breeds too much leisure.

As a matter of necessity, what must come first is the employment of the people; and if the hours have to be changed to accomplish that, then that must be done; but I think every reasonable effort should first be made to keep the working hours at something that is socially desirable, if we can agree on what is socially desirable.

Mr. RANDOLPH. I feel I now understand your presentation. It is that you would meet the emergency when it arises, or attempt to anticipate it, but you would not make any set 30-hour week at the present time?

Mr. LEVY. Oh, no; and only on the evidence that certain numbers of people were out of work and had to be absorbed.

Mr. RESA. Mr. Levy, the success of your plan depends, does it not, upon the voluntary action of businessmen in adopting the policies that you lay out and that are calculated to achieve full employment, less the necessary reserve of man-hours represented by the unemployed? You depend upon the voluntary action of business to carry out your plan?

Mr. LEVY. Oh, not at all.

Mr. RESA. Would you propose that those measures be incorporated into law?

Mr. LEVY. Absolutely.

Mr. RESA. How could that be done by the Federal Government? Under its powers to regulate hours and wages and legislate with reference to rates of pay, it is limited to interstate commerce.

Mr. LEVY. Mr. Resa, it would be very difficult in this time to say what is interstate commerce and what is not interstate commerce, but we have from time to time amended our Constitution as the need therefor has been demonstrated. I am perfectly positive that we have the means as a Nation to save ourselves from committing suicide.

Mr. RESA. Then there is inherent in your proposal the possible necessity of a constitutional amendment?

Mr. LEVY. Not being a lawyer—I think you are—I cannot accept that statement.

Mr. RESA. Well, one more question. The unemployed—three and a half million or any other number—providing what some call a reserve of manpower—would, in the usual course of events, generally be the less competent workers, would they not?

Mr. LEVY. I would not say. That might be so.

Mr. RESA. Because industry always clings to the competent worker. He is the last one to be out of a job.

Mr. LEVY. You buy the best pair of shoes you can find for your money.

Mr. RESA. That is right. Now, how would the unemployed three and a half million, or any other number, get their living?

Mr. LEVY. They would be what I call "floating" unemployed. You occasionally meet a man who is not on full-time pay but he does work part time. I have in mind an old lady coming in and helping a little while each week. There are thousands of little important things necessary for the competence and well-being of our people that require a reserve of man-hours.

Mr. RESA. These people would not be entirely unemployed?

Mr. LEVY. Oh, no.

Mr. RESA. They are employed in industry?

Mr. LEVY. Not steadily employed.

The CHAIRMAN. Thank you very much, Mr. Levy. Our next witness is Mr. Herbert L. Carpenter, vice president of the Commerce and Industry Association of New York. You have a prepared statement, I understand.

STATEMENT OF HERBERT L. CARPENTER, VICE PRESIDENT, COMMERCE AND INDUSTRY ASSOCIATION OF NEW YORK, INC., NEW YORK CITY

Mr. CARPENTER. I have, Mr. Chairman, but I would like to indicate from what sources this information comes. I am a manufacturer with plants in different parts of the country, a typical small American manufacturer with five Army and Navy E awards, with a lifelong study of the problems of government, and I happen also to be chairman of what we call the Metropolitan New York Business and Industry Committee, which represents many thousands of the smaller industries and businesses in the metropolitan New York area. My statement is the result of sober, careful consideration by a group of men representing major industries of the country and smaller industries, some in agriculture and otherwise, educators.

First of all, I would like to put on the record that it is the opinion of the smaller businessmen that any legislation which by its direct language or implication weakens the moral fiber and need for initiative of the American people will destroy effective reconversion and future prosperity. Private enterprise strengthens our moral fiber, and the necessity to strive for a job and to keep and improve that job and to obtain a reward for hard work is the foundation of our American system, and we certainly do not want to destroy that. Any planned economy or promise of the Government of a job equal or at higher pay than is available in private industry will destroy the morale of those who take advantage of such promises and greatly weaken the opportunity of those who create the wealth and prosperity of the country, and the fear of any law that might make such a promise is a serious fear. Unless direct Government employment which may be in competition with private employment is provided at hourly rates lower than those provided in private industry, the ability of private enterprise to insure wide employment will be weakened and our real objective of full employment retarded rather than advanced. The American people must still support the Government and not the Government support the people.

The CHAIRMAN. Mr. Carpenter, at that point, do you interpret H. R. 2202 as being a guaranty by the Federal Government of Government employment?

Mr. CARPENTER. We believe that it implies and, in effect—in the mind of the average person—promises that it does provide for full employment, regardless of the reason for the unemployment. Questions have been asked today which appear to me very much that if there was a disagreement between an employer and employee concerning working conditions or an increase in wages, which perhaps would pro-

vide against inflation in the price structure, would prohibit the manufacturer from accepting, even though he might wish to, and if those people did not like to accept the requirements of private industry, they might, and we believe they would under this bill turn to the Government for adequate employment, which we believe to be a very dangerous thing.

The CHAIRMAN. I did not understand you to say, though, that you believed this bill was a guaranty of full employment.

Mr. CARPENTER. I believe the bill as it is drawn, H. R. 2202, implies that guaranty. We believe it does.

Furthermore, Mr. Chairman, we believe it is the cart before the horse. We don't know why there is such a rush to establish this complicated bureau of statistics, which I hope to prove to you are not reliable and can never be reliable. Why should not the executive departments and the Budget Director prepare for Congress some tentative idea of what they propose to do under this bill and submit it to you, and if it looks practical and enlightens the Members of Congress as to the necessity of this legislation, I think it might lead to amendments or changes or a new bill.

The CHAIRMAN. I made that suggestion to the Director of the Bureau of the Budget when he testified previously.

Mr. CARPENTER. Did he say he can't do it?

The CHAIRMAN. Well, he said he could try.

Mr. CARPENTER. We have some 1,100 bureaus now that are equipped with vast amounts of information, which could give the Budget Director or the executive departments a fund of information.

The CHAIRMAN. I think that under existing law everything that is provided in this bill, except the joint committee of the Senate and the House of Representatives, can be done now by the President and the Director of the Budget.

Mr. CARPENTER. As I say, Mr. Chairman and gentlemen, the statement that I am about to present is the sober, considered thought of probably as fine and impartial a cross section of opinion as can be found in the country with respect to this bill. The purpose of the bill H. R. 2202 is seemingly to encourage private enterprise to provide employment; but in case it does not succeed, the act, through anticipation of such a result, provides a way for Government to take over through a separate national budget.

While those who sponsored the bill in the House and Senate were clearly endeavoring to provide a structure that would prevent or control unemployment, unfortunately it is not conceivable that the proposed legislation would accomplish any such purpose. On the other hand, if the bill became law, even with amendments, it would undoubtedly prove to be most harmful to the people of the United States, as it is founded on wrong principles.

The bill apparently contemplates the setting up of a balanced budget that will cover the complete economy of the United States of America; that is, the figures of receipts and expenditures of the Federal, State, municipal, and local governments of the country and of the corporations, partnerships, and individual activities would be brought together into one complete statement. After this is accomplished it is planned to maintain investment funds in the Nation at the level that might be necessary to provide jobs for all; in other words, so-called full employment.

A budget of this scope could not possibly be brought together and maintained even through the establishment of a tremendous bureaucracy. Were it possible to provide such a statement, it could not be made to represent up-to-date conditions because of the rapidity with which economic situations change in small ways and large ways. As a result, the budget would never give a picture of the current economic situation.

If the budget could be set up, however, it would be impossible to draw from it information that would enable its effective use for creating employment.

No way has yet been found for manipulating investment funds in and out of Government in such manner as to hold employment on an even keel.

Our economy as carried on under the private enterprise system has such an infinity of individual activities and contacts that they would not be controllable in a central bureau. Further, they could not be foreseen nor guided in such a way as to provide employment through the manipulation of investment funds between Government and industry. The plan is, therefore, not workable.

Statistical information of a certain character is of value, but the Government already through various of its eleven hundred-odd agencies is now in possession of practically all of the economic facts that are available. There is also a great overlapping and duplication by the agencies which obtain statistics bearing on the business economy of the country.

It would unquestionably be of value to the country to have some well organized method adopted under which Government could obtain statistical information that could be made available to any or all of the departments which might need such information. This would not mean the creation of a huge new Government bureau. On the contrary, present research agencies could be consolidated with a great saving of personnel and the prevention of the duplication of effort that is now going on that costs our business institutions such a vast amount of time and money. The question of statistics as they have been fostered and demanded by the various departments and bureaus of the Government during the war has tried the patience and the personnel of all private industry and forced thousands of small business people into complete elimination of the carrying out of the requirements, rules, and regulations of the Government because of the complication.

The CHAIRMAN. Isn't it true at the present time that the statistics that are furnished to business on which to forecast future sales, and so on, are from 1 to 5 years old when business gets them?

Mr. CARPENTER. Usually 1 to 5 years old.

The CHAIRMAN. And it would be impossible to base any future program on those old statistics?

Mr. CARPENTER. They could not do it, because, as I will indicate here, all of the statistics are statistics of the past and cannot be used now to foretell the future. When it comes to expecting the President of the United States, through any large or small group that might be put back of him, to be in position to prophesy the movements of business which makes for employment or unemployment, it just cannot be done.

It is not generally understood that statistics have no moving force. They simply tell what has happened. They do not and cannot foretell the future. Very often trends are uncovered, and on that account a number of organizations have been set up now and again to sell statistics to business, with the statement that from such statistics, charts, and lines times of prosperity and adversity could be effectively anticipated.

While oftentimes looking back upon such statistical charts it appears as though trends were sufficiently clear to enable prophesy as to their continuation, yet never has it been possible for anyone to determine with certainty when trends that were seemingly well marked would change into some other form of movement.

This is true because it is the acts of men that determine the statistics which go to make up a chart, and the acts of men may change their direction because of emergency, catastrophe, psychological developments, changes in habits and customs, or because of inventions and discoveries. Thus the acts of men determine the movements of statistical charts, but the movements of the chart lines never determine the acts of men.

The CHAIRMAN. Nor can they determine the coming of floods or droughts or pests that affect agriculture.

Mr. CARPENTER. Yes, sir; and might affect the entire economy of the country in 24 hours. Well-set-up statistical charts of economic developments do have enormous values to business and are most instructive, but they should not be depended upon as oracles.

It does not seem to be realized by those who sponsored this bill that the number of jobs open cannot be measured by the amount of investment. The use of money that comes about through exercise of incentives for profit by individuals sometimes results in creating jobs for great numbers of men in proportion to the amount involved and sometimes for very few.

It has been estimated in some quarters that it takes an investment of \$5,000 to provide a job. This, however, represents an average for all industry, and it cannot therefore be used as a basic figure for any particular purpose.

It has been proved conclusively, however, that money spent by Government does not yield true jobs, meaning those which are productive, to anything like the extent that prevails when funds are utilized under the private enterprise system. I would like to add that it is axiomatic, but it is a simple fact that all businessmen who have had anything to do with governmental affairs know that every million or billion dollars expended in private industry never has to be paid back in taxes through the sweat of the workers or by anyone and that the profits on that particular private enterprise creates the funds and the taxes which operate our Government and the governmental services; whereas every million or billion dollars that is expended by the Government, by and large, has to be paid back by the sweat of the taxpayer, whether he be a worker or the industry, and not once, but twice, because by the time the bonds are liquidated and the interest is paid and added up—in other words, fundamentally it is not fair or reasonable for the American people to compare money expended by Government to produce employment as being of the same constructive value as money expended by private enterprise would be.

The CHAIRMAN. You do not advocate that we spend ourselves into prosperity by the use of printed money?

Mr. CARPENTER. We do not. We think it leads to disaster.

While the futility of utilizing the proposed budget for the purposes intended is thus self-evident, and while the employment of a vast bureaucracy to accomplish the accumulation of the information intended would not only be needlessly expensive to the Government but would also cast such a burden upon industry in supplying information as would certainly curtail its ability to produce, yet the most harmful result to the people of the United States would lie in the effect such procedure would have upon the mentality of the people. Proclaiming through legislation that men have the "right to a job" would inevitably steal the individual initiative of vast numbers of persons who would otherwise strive for jobs.

It is the striving for jobs which makes jobs.

This does not seem to be recognized by many who are honestly trying to protect the people from hardship. It is far better for the men and women of the United States to meet with some hardship now and again in normal ways than to fasten upon themselves a system that leads them to believe that they will be protected from such hardships, particularly as any attempts by Government to take care of the people in the manner outlined in the bill would be certain to greatly extend and increase their difficulties and the suffering that might come from it.

No man has a "right to a job" from his neighbors, although it might be in the interest of such neighbors to provide him with one. However, it would not be either to the interest of himself or his neighbors for him to lose the incentive to find a job for himself; because if the idea spreads among the people that they have a "right to a job," it will weaken the moral force of the country and lead to economic stagnation. The propaganda of the last decade and a half has in large part been of a character which has had the tendency to lower the morale of those who have been influenced by it.

I think that answers this other question. The bill, undoubtedly, as amended by the Senate, has changed somewhat the phraseology as to whether a man has a right to a job or a right to an opportunity for a job; but if private industry is to survive, let us not destroy the basic initiative of the American people to strive for that job. If we do, we will have accelerated unemployment and a costly pyramiding of Government spending, and the results will be un-American.

The intention of Congress to encourage employment is a very worthy object and a sound political purpose. On the other hand, if legislation is developed and made active whose tendency would be to make for unemployment, it would be most unfortunate for the country, no matter how fine the purpose might be.

The constructive side of this question might be indicated as follows:

1. Confidence must exist on the part of the people that the economy of the country will be allowed to function by Government if carried on under right principles.

That indicates, gentlemen, that we were in complete accord with the controls that were imposed upon industry and business during the war. They were willing to give all they had to produce, regardless of other conditions.

The CHAIRMAN. You do not advocate repeal of the antitrust laws, do you?

Mr. CARPENTER. No; we do not. We believe that Government should be carried on under the right principles but that our laws in many cases should be amended, in order to protect both sides of the pictures equally in their responsibilities.

2. Business confidence cannot prevail if Government undermines industry through unwise curtailing laws, competitive practices, or usurpation of business or industrial procedures.

3. Government competition can destroy private enterprise even though Government may operate a huge bureaucracy, because it can charge its losses to taxes, and it pays no taxes itself.

4. Profit incentive is the spark that motivates business and industry under the private enterprise system.

5. It must never be forgotten that if it were not for profit, in excess of the earnings which are necessary for a bare subsistence, funds could not be available in the form of taxes to provide an income and a living for Government officers and employees. Again, if profits were not made in excess of such funds as may be required by Government to enable it to function in the interest of the people, there could be no development of the cultural side of life, no opportunity to provide proper education or to further art, music, or the growth of science, which is so necessary to enable comfort in living as the density of population increases.

6. Expenditures of Government must in time of peace be kept within the power of the people to meet through taxation; that does not take such a percentage of profit as to kill incentive, prevent the creation of new enterprises, and the expansion of old, which provides jobs for men and women. There is no inducement to take business risks which make for employment if Government takes the profits and the entrepreneur the losses.

Considerable discussion was had this morning on the question of taxes. I think any sound American businessman or worker realizes that we must have heavy taxes in the near future, and those taxes, it is hoped, may be adjusted, possibly reduced, in order that the take-home net of the average worker may be commensurate with the needs of the purchasing power of the country, but we have a practical future to look forward to, and the road seems clear to carry out that future.

7. Government under great bureaucracies inevitably leads to despotism, the loss of freedom, and ultimately the complete dissipation of security. The red tape that is unavoidable under bureaucratic government not only results in tremendous costs that a community cannot afford but results in slowing up production and so makes for unemployment. The interest of the people positively demands that Government be carried on under simple and direct organization.

I think, Mr. Chairman, that the Congress in its reorganization has definitely planned to transfer many of these bureaus and all of their invaluable information to the permanently constituted departments of the Government, such as the Department of Agriculture, the Department of Commerce, the Department of the Interior. Business hopes that the Department of Commerce will ultimately, and not in the far distant future, be to the businessman and the worker as the Department of Agriculture is to the farmer.

8. Under Government bureaucracies interferences with the proper processes of business and industry seem inevitable. Business management cannot function in the interest of the people when it is not free to use its judgment and understanding in the development of production and trade because of bureaucratic interferences.

9. Labor laws in the interest of production and jobs must be fair to both labor and industry. If either management or labor can under the law act in ways which are detrimental to the other, it inevitably means curtailment in the expansion of business and industry and fewer jobs. If present labor laws are reconstituted so as to be fair to both labor and industry, it will make for wide employment.

I might say that I was Assistant Federal Housing Administrator, and at the time the Federal Housing Act was created I made a national study of housing. If, instead of dealing with what is going to happen, if we attacked the causes of unemployment and Congress used its powers to prepare the way for wide employment, marvelous conditions could be brought about. The housing industry in the country probably has the greatest potential employment opportunities of any industry in the United States. Today a review will show that about 20 percent of the building trades are still working. The other 80 percent normally employed in those trades have been in the armed forces and in the war plants. That 20 percent, through ill-advised and badly organized leadership, is constantly creating an increased cost per man-hour of productive work, to the point where this great housing program on which we bank the opportunity for employment of millions of men from one coast to the other, is hamstrung because a small minority are unwilling to create a fair amount of work for a fair day's pay, with the result that the other 80 percent, who are in the financial industry of the country, are unable and unwilling to invest their money in housing where the ultimate cost is going to be more than its value. The result is that the other 80 percent will be looking for jobs. And that is not all, because, aside from the building construction, from the mines to the finished products that go into the housing program there are other millions and millions of people employed. So the question is, "Why doesn't Congress take a hand in the situation and declare both to the employee and the employer that they must break these bottlenecks which are definitely tying up the opportunity for widespread and full employment? If these labor laws were reconstituted so as to be both fair to labor and industry it would make for employment. I believe in organized labor; have ever since the previous war, when Sam Gompers was on my committee, and representatives of the Farmers' Union. And I believe in collective bargaining and in good wages for productive work, but there should be some forceful power created by Congress to impartially break these bottlenecks, or our whole reconversion program will bog down.

10. It does not seem to be realized that if agriculture lives off the taxation of industry it will make for unemployment in industry. When this occurs and many workers in industry are laid off, in self-protection they take to the growing of food units either through their own vegetable gardens or by working upon farms. Instead, therefore, of such labor making a market for the products of agriculture, their activities increase the supply of agricultural goods and the market

which they provided is largely lost. Congress should make a careful study of this situation and bring the laws which relate to agriculture into such form that they will protect both agriculture and industry.

11. The great harm that follows carelessly worded laws aimed to protect agriculture, industry, and labor and the people as a whole, is not generally realized or understood. The Department of Justice should not find it necessary to bring suits against the citizens of a country or their organizations because many of the laws of the land are subject to varying interpretations. Neither should the citizenship be called upon to defend itself from suits undertaken by the Department of Justice when new interpretations are made of old laws. Great injustice is done when such conditions prevail whether it may be in time of peace or while we are engaged in war.

I think one of the previous witnesses here spoke of that today. Sound and vigorous enforcement of our laws to protect the people is essential, but this constant picking at people from reinterpretations of laws is creating a fear that is driving away from private industry and finance a confidence needed to go on with full employment. That should be understood by Congress, and they should take some action along those lines.

Businessmen whose time was needed in the war effort were forced to give concentrated attention during the war to suits, which had been brought against them and the companies with which they were connected, that were harmful to the war effort and bad for the morale of the people.

In the reconversion period suits of this character can easily result in reducing employment. This is distinctly a responsibility of Congress and congressional action that will clarify our laws, particularly those having to do with antitrust regulations, can be followed by greater employment.

The Commerce and Industry Association of New York, Inc., after an extended research into questions having to do with employment in the postwar world, issued a booklet called *Winning the War and the Peace*, copies of which were sent to all Congressmen, Senators, leading chambers of commerce and trade associations, and a number of prominent business executives throughout the country—additional copies are available upon application—in which the foregoing conditions and others are recited with recommendations for their correction. The association confidently believes that if Congress will apply itself to carrying out the recommendations made in this pamphlet, it will go far toward making for general employment in the United States, whereas there is no doubt that the development of a new bureaucracy, as proposed in H. R. 2202, together with the inauguration of the methods outlined for accomplishing employment, will not only fail to meet the need but will tend to create unemployment.

I think I might say, Mr. Chairman, that every effort has been made—I don't want to burden the record or take up your time outlining the suggested programs of simplification and of enforcement of remedial legislation which has been proposed, but it seems to me—I have had for 40 years pretty close contact with business, finance, and the man on the street. I came up the hard way. I believe in the fine work which our administration has done in winning this war. We criticized the OPA. That is another thing that is standing in the way of full

employment and reconversion, where some of these so-called economists in the OPA say definitely "We are not interested in profits," when we know that the cost of labor has gone up, maybe 30 percent—that is, the hourly rates have gone up—since 1941, the cost of materials has gone up, but the volume of production has dropped until the cost of production is above the price fixed by OPA. The President has made some very effective—taken very effective action giving the OPA wider discretion, but unless they will throw out some of the economists over there and some of the legal talent, and get down to simplification fairly quick, it is going to retard employment seriously. The same is true of some other departments.

I feel that this is the period, gentlemen, when this law—we do not feel that this law as introduced is necessary at this time, that it envisions a farseeing permanent program predicated upon facts which common sense shows cannot be prepared accurately and intelligently, and the result of it is, not the cart before the horse, but without solving the question of what is the cause or what will be the cause of employment and how to avoid it, with particular reference to the rights of and our duty to returning veterans, industry and business cannot absorb all of these returning veterans who are able and willing to work. Business is girding its loins, so to speak, to not only take the ones that are strong in mind and body, but those who have been sadly wounded, and everything should be done by act of Congress for the encouragement of the veteran and the encouragement of business, so that the veteran can find a self-respecting job or can go into an industry or business himself, and that should be given first consideration. The second one should be that our system of private enterprise, private initiative, should be given a chance now, with the most marvelous and far-reaching potential markets and opportunities this country has ever had, with experience, with high efficiency—I testified before the Senate Military Affairs Committee, and I remember Senator Murray asked me in connection with the program at that time, what was the philosophy of the businessmen, and I said it was this—I would like to put it on the record—we have got to have production and more production, which means employment and more employment at good wages for productive work; we have got to have high efficiency of production; we have got to have the elimination of waste, and above all we must have low prices of our products in order that they can be widely distributed and absorbed, both here and abroad. That means that we may have to have a little increase in hourly wages, as I say, to offset the take-home reduction, but with the high efficiency, undoubtedly we can absorb that without increasing prices.

I want to leave with you a final thought, gentlemen: If there is any obligation on the President of the United States and the Congress of this country, it is to try its very best to enact laws or amend laws that will insure full employment, first by private enterprise and business, and then to fill in the gaps by constructive and necessary public works; but above all, to win this fight against inflation. There will have to be undoubtedly some deficit spending during the year or two to come, but if we set our sales and costs to insure complete full employment on a system of spending our way out of each problem as it comes on, I am afraid our private enterprise is going to be destroyed and the American system with it.

Thank you very much for the opportunity of being here.

The CHAIRMAN. Mr. Carpenter, this morning our committee received a letter from the Honorable Harold D. Smith, Director of the Bureau of the Budget, who testified before the committee on this bill. At the time he appeared we asked him to furnish us with estimates of the number of unemployed for the calendar year 1946. Part of his reply states:

I pointed out that there are special difficulties in preparing such estimates at the time, and that any estimates given for this period of transition are subject to possible error.

Then in his memorandum attached to the letter he states, in naming some of the factors that are involved:

Taking into account all these factors, allowing also for the seasonal swing in the labor force, children reentering school and so forth, we obtained an estimate of people unemployed of 8,000,000 early in the calendar year 1946. That is an increase of about 6,000,000 over the level of unemployed in early September.

It is further estimated that the progress of reconversion may reduce unemployment considerably during the calendar year 1946, although substantial unemployment will continue to exist.

In questioning Mr. Smith in an effort to find out how he would prepare this budget, because under our legislative procedure and the provisions of the bill the budget has to be prepared by the Budget Bureau some time in September or October of this year, to be transmitted to the President and by the President transmitted with the budget estimate to the Congress in his annual budget message, which comes up the first week that Congress convenes in January. The budget transmitted by the President is then the basis of study by the Appropriations Committee to make appropriations for the fiscal year which starts on July 1, which would mean in this instance July 1, 1946. Under the present bill a lot of people think they would start to work tomorrow if this bill became law, but under the legislative procedure under the provisions of the bill, as we are already doing in the case of highways, flood control, rivers and harbors, and so forth, it would be the 1st of July before they could possibly start work under the full employment bill.

Do you think it is possible for the Budget Bureau or any group of experts, including Solomon himself, to sit down in September and predict within one or two or three or four million how many people will be unemployed by July 1, 1946?

MR. CARPENTER. I think the history of this country and of other countries indicates that no one can do such a thing with any degree of accuracy.

The CHAIRMAN. Don't you also think, Mr. Carpenter, that if the President in January were to transmit such a Budget message to the Congress, predicting that there would be 8,000,000 people unemployed on July 1, and requesting Congress to take appropriate action by providing public works to employ these 8,000,000 people, that that message in itself would tend to cause people to quit buying, would cause business people to reduce their inventories, and the effect of the measure would be to precipitate a depression instead of forestalling it?

MR. CARPENTER. I think that is one of the greatest dangers of the whole act, Mr. Chairman, that just such a condition would come about. And it is axiomatic that from a political point of view the tendency would be to try to make the estimate a little free, so that if it fell short

and there were not quite as many unemployed as they estimated, that would be all right. It would be a very dangerous thing, and I think it might discourage investment in new business. It might even jeopardize the integrity of our whole bond structure held by the people of the country. What would be the object of spreading such information? The facts are that business, private industry, the employers, the labor unions, are all equipped with very intelligent, able men. They know pretty nearly what the situation is, and they can plan for those things, but to broadcast the fact that we estimate that next year there will be 8,000,000 men out of work might bring out—might create a catastrophe in this country.

The CHAIRMAN. In case the Federal Government were to guarantee employment on a Federal budget for 8,000,000 people, wouldn't it be necessary for us to guarantee a minimum wage for those people of, say \$2,000 a year? Because if you are going to put them on WPA at \$36 or \$40 a month it wouldn't be much better than a dole.

Mr. CARPENTER. If, as I said in the beginning, the intent of this bill—and I think the people believe it is the intent of the bill—is to guarantee such employment, there would be a demand that that employment be on a liberal basis.

The CHAIRMAN. Because it certainly would not increase the national income much to pay people \$36 or \$40 a month, would it?

Mr. CARPENTER. It would not increase the national income at all. Of course, it would have some mitigating effect on the purchasing power of the country, but still it would not be productive purchasing power. It would be purchasing power that had to be paid back in full in the form of taxes.

The CHAIRMAN. Don't you think that with a national debt of \$275,000,000,000, maybe \$300,000,000,000 by the end of this fiscal year, one thing that would encourage business to go ahead and provide employment more than anything else would be to know that the Federal debt was not going higher and that the investors who invest money to produce employment in private industry would be able to invest money without fear of the value of the dollar being reduced to the point where the return on it would be practically worthless?

Mr. CARPENTER. I agree with you 100 percent. And another thing, it seems to be a fatal thing, regardless of our high regard and esteem for the President, to place such permanent power in the hands of the Executive that might, when the pressure became very great, bring about a situation that could never be rectified.

The CHAIRMAN. Wouldn't it be necessary, if the budget were to go into effect, the national budget, to regulate the line and the curve of Federal investments in public works—it would be necessary to give the President or some board power to regulate the amount of Federal funds to be spent in relation to the amount of unemployment in order to take up the slack. That being true, wouldn't it be possible for some President and the board that had control of that spending, to coerce Members of Congress into voting straight down the line, because if they did not they would be denied a post office or a bridge or something in their districts?

Mr. CARPENTER. Mr. Chairman, the power would be frightening and irresistible.

The CHAIRMAN. Isn't that one of the great dangers in this legislation?

Mr. CARPENTER. We still believe in the integrity and the rights and powers of Congress, and we hope that Congress will not grant such power.

The CHAIRMAN. Could not the Federal Budget through public works and the powers to be vested in the Chief Executive to withhold money from one particular area and put more money into another area—wouldn't that make it possible for the Chief Executive to absolutely dominate Congress?

Mr. CARPENTER. I would like to get the answer of every member of the committee on that. I think they would all say "Yes." Some Congressmen have experienced that. It has been a terrific power, and a very dangerous one.

The CHAIRMAN. It would create one of the most powerful political groups in the country.

Mr. CARPENTER. Yes, sir.

The CHAIRMAN. Of course, if you undertake to guarantee full employment by Federal investment, would it not be necessary to place a ceiling on production in private industry, private enterprise? Because by technological development one industry might be able to produce 10 times more than a neighboring industry, and thereby throw out of work a lot of people in a neighboring industry producing the same commodity.

Mr. CARPENTER. I think, Mr. Chairman, although we are anxious to get out from the control of many things to which we have willingly submitted during the war, and have proven very effective, Congress will always have to have certain control, and it should be vested in Congress alone as to what we must do to meet an emergency. They can act quickly. We have heard some testimony here today about changing hours and increasing wages. That may be very effective in one industry and it might be disastrous in another. We have different conditions in different areas, just as we have men in Congress from all parts of the country, that have their own individual problems, and it seems to me that out of it all some sound legislation will come. We know that full employment is the greatest objective that we can look forward to. We know that we must avoid inflation, and those two things don't just work together unless something is worked out. But let us not be hasty about it, Mr. Chairman. What is the use of passing legislation of this kind today when the letter from the Budget Director indicates that he would be unable to give any accurate estimate, and if he did give one that he thought was accurate it might be a dangerous estimate to make public.

The CHAIRMAN. And he now has all the fiscal information available that would be available under the terms of H. R. 2202.

Mr. CARPENTER. I think Congress is in the position where they are getting very familiar with what the problems are, what the causes are that may lend themselves to prevent future widespread unemployment. Of course, there will be a certain number of unemployables in the country, and there will be that reserve that the previous gentleman testified to. There always is a little reserve migration and frictional unemployment occurs, but I have a feeling that labor and management are getting closer together, although there has been some

little flare-up at the present time, but the necessities of the workers, of the employees, of industry and business, are something that Congress knows. They have the facilities for obtaining the information, and we rest our case in the hope that Congress will avoid the passage of this legislation and will attack courageously and fearlessly and actively the elements in our economy that prevent full employment.

The CHAIRMAN. Are there any questions?

Mr. CHURCH. Mr. Carpenter, awhile ago I believe you answered the chairman that to announce the estimates of unemployment set up by the Budget Bureau might create catastrophe. Is that right?

Mr. CARPENTER. Yes, sir.

Mr. CHURCH. Now, if estimates of unemployment were made, would there not be a temptation for the administration to really insist on living up to those estimates?

Mr. CARPENTER. As I mentioned, I think there would be a tendency to be pretty liberal about it, too, attempting to live pretty well up to the estimates.

Mr. CHURCH. It would seem to me that there would be a temptation and drive to live up to the estimates for Federal investment works as against private employment. Do you think that would be the case?

Mr. CARPENTER. I think that would be the natural consequence, and I think that if that drive was undertaken, you cannot employ all the people that might be unemployed in building roads, and if any such bill as this became law and such a condition existed, the Government would undoubtedly have to either go into competitive business itself in many areas—which the bill seems to prohibit—or it would have to subsidize business to do the same thing in artificial employment. So the businessmen that I represent, and the little fellows, thousands of them, want to be left free to move ahead. If there is going to be employment next year and they know it, they are going to say: "Well, I am going to try to keep all the men I can. I will try to boost my business. I have got confidence in the old United States of America, and we are going ahead."

Inspired leadership in a critical situation where we have the facilities and the demand would inspire private industry to absorb millions of unemployed; whereas, I think the converse is true, that they could be discouraged, would pull in their horns, venture capital would step out of the market, and the very fact that the Government intended to go in and spend money that meant increased taxes and increased burdens on business would discourage a great many people. I can assure you that there are many of the able men of the country today who have gone through this war period and who did not understand what the Government was after and what its great responsibilities were, and they just got disgusted with the complexities and the rules and regulations and the questionnaires and the many other things that they were subjected to, and they simply said: "Well, that is just too much effort."

And they have gone out of business, closed their plants. That is one of the difficult things that Congress will have to tackle now in connection with the question of price control and inflation. There is a right thing to do, and it has got to be done quickly.

In answer to your question, I think that if any such estimates were prepared, the tendency would be for the Government to make them pretty liberal, because they would not want to fall short.

Mr. CHURCH. You mean liberal in the requirements of public investment in public works?

Mr. CARPENTER. Yes, and that would be, in effect, a retarding influence on private industry to do its share rather than to stimulate it.

The CHAIRMAN. And if the prevailing wage were paid on public works projects, it would also encourage people to leave private industry, because they don't work as hard for the Government as they do in private industry.

Mr. CARPENTER. If this bill went through with a guaranty of jobs, my experience as a worker and an employer of men and women all over the country is it would not take very much of a little flare-up for somebody who had worked for me for 20 years to quit the job and take a job with the Government because it would pay him more money.

Mr. CHURCH. Let us assume that this very liberal estimate has been made of the number to be employed in public investment work, can you visualize that the administration, wanting to live up to this program, would put a requirement on labor through the worker, that he deliver? Can you visualize that there would be that picture, that each worker would be told what he had to do, perhaps, in order to bring about the budget that had been planned?

Mr. CARPENTER. I certainly hope and pray that any Government work that is being done, if there is any question of competition as to whether the worker will work for the Government or work for private industry, that when he works for the Government he has got to produce value received for what he gets.

Mr. CHURCH. That is true, but if the Government would say to the worker in private industry or in the Government investment industry, "You are expected to produce so much," could it follow that the Government might be tempted and try to require him to do so much and no more under a bill of this kind?

Mr. CARPENTER. Well, I don't know whether it would be a temptation.

Mr. CHURCH. Wouldn't that be one of the catastrophes that you mentioned a while ago?

Mr. CARPENTER. I would think it would bring about a control of our whole production system both private and public, that would unbalance it. It would be very dangerous. We have, as you gentlemen know, a rather elaborate and extensive unemployment insurance program which places upon the various States definite responsibilities to carry. There are numbers of men who may be temporarily out of employment, and supply and demand always work. We hope that that will offset the peaks and valleys to some extent. But business is hoping and praying that nothing will be done with this legislation or anything like it; that it is going to tell the people of the country if they don't want to work for the private employer, the Government will guarantee them a permanent job. If they do that, they will destroy our American system of private enterprise, and they will destroy the ability of the American people to support the Government. Then the Government will have to support the people, and we all know what the results of that will be.

I think, gentlemen, we are in a very critical position. We are all for full employment. I think you will find people willing to sacrifice, to work without the fear of war, but we are not going to have any

period of great prosperity. Taxes are going to be high. We have got to be willing to pay these high taxes in order to put our American house in order. Taxes will have to be high. Prices will have to be low. Margins will have to be small. All of that is part of the aftermath of this war. And I want to reiterate, let us keep our minds on the welfare and the rights and the duties we have to the returning veterans. I think those boys who, including my own, are in the Pacific, they have gone through hell; they have not been pampered with high salaries, and when they come back we have got to find jobs for them.

Mr. CHURCH. If private industry is going to live, it must have a profit. Isn't that true?

Mr. CARPENTER. That is right.

Mr. CHURCH. But Government investment can go on temporarily without returning a profit.

Mr. CARPENTER. It doesn't have to have a profit, neither does it pay any taxes.

Mr. CHURCH. In other words, thrift in private industry creates more of wealth to be distributed.

Mr. CARPENTER. I am glad you brought out that word "thrift."

Mr. CHURCH. But, as distinguished from that, Federal investment activity does not necessarily have to have a profit in the end in order to carry on; does it?

Mr. CARPENTER. No; it does not have it.

Mr. CHURCH. Therefore, necessarily, the employment provided in clause (e), or the means of investment activity, does not have to be economical, does not have to be profitable. The profit motive is not there to protect the success of the activity; is it?

Mr. CARPENTER. No.

Mr. CHURCH. And Government employment, Federal Government employment, can be and often is necessarily lazy employment, unproductive employment—would you care to develop that—as distinguished from the profit motive that always drives private industry. The private industry necessarily folds up, and the employee knows it will fold up unless a profit results from his employment.

Mr. CARPENTER. That is true, and you have the same question of competition with a competitor where there is no need, no urge or demand for high efficiency, no profit to be made, no taxes to be paid. Competition of that sort is very difficult for private industry that must, through efficiency and effective work, not only make the cost but produce a profit.

Mr. CHURCH. But there is another thing that increases Federal investment activity, and that is the matter of votes; isn't it? Votes increase as more employees are put on.

Mr. CARPENTER. I think so.

Mr. CHURCH. And the lazier and less productive that Federal investment project is, the more men are needed for that work, generally speaking, and the more men are put in for that work.

Mr. CARPENTER. Yes, sir.

Mr. CHURCH. Political workers are often put on these Federal programs?

Mr. CARPENTER. I think we have seen it in a milder way with the WPA. I would not want to see a repetition of that.

Gentlemen, bear in mind that we are the most fortunate country in the world. We have not been visited with the terrible destruction that

other nations have, and that we will not only be producing more ourselves but for foreign countries. The opportunities are here for full employment. I think we may have to have shorter hours. I agree with the previous speaker that we should have shorter hours, good pay, in certain industries and at certain times. There are various remedies that will keep people happy in their homes, and those things will have to be met when we reach them. But at the present time, getting back to this bill, we believe that it is fundamentally against public policy to attempt, in the first place, to create estimates which we know history has shown will be not accurate; then to predicate public expenditures on that with all the accompanying competition to private industry, the frightening of venture capital, the weakening of the financial structure of the country in its stability and its bonds, which are owned by the people—the point is, let us get to work; let Congress find out what are the causes of unemployment today, tomorrow, and next year. The productive capacity, the intelligence, the equipment, and the markets are here with us now and will be for the next 2 or 3 years. So that if there is any unemployment in the next 2 or 3 years, as I see it, it is going to be inspired and created by things that can be corrected by Congress, not by any such bill as this.

MR. CHURCH. Are certain groups frightening some of the workers at this time? Let me illustrate. A radio man who had a small radio business suspended during the war. He could not get equipment and the things he needed, therefore he went over to the big producer producing munitions of war. He worked there faithfully receiving good wages but now is temporarily laid off. That man that gave up his small radio business and went to work for the war munitions plant during the war is fearful now. He is afraid that he is not going to be able to get back to his little business or another business.

MR. CARPENTER. Yes, sir.

MR. CHURCH. And that small business is a job.

MR. CARPENTER. And I am wondering if we are doing enough of a job to get those people back into the good old American way of industry that has been successful through the years, that helped our Nation in war do a better job than any other nation could under its kind of government.

MR. CHURCH. There is a lot of fear in the minds of those little fellows that want to get back into business.

MR. CARPENTER. Yes, sir.

MR. CHURCH. This chap that I was speaking of thought he was getting old—he is 51—and I can see that he sees in this bill perhaps something that he will be disappointed in. He sees in this bill perhaps a security in the future that really is not there, that will undo security for him rather than help the security for the future for him. I think some of these people approaching old age are apt to get the picture from this bill that the Federal Government is going to look after them, and that they don't need to look around and see if they can get back into their little radio business up the street where they were before, or develop another new industry somewhere else or another little business like the little businesses that America has thrived on through its history. You live in New York?

MR. CARPENTER. Yes, sir.

MR. CHURCH. Well, New York City is full of small businesses.

MR. CARPENTER. We have 25,000 small industries there, and I am representing them here today.

MR. CHURCH. Well, up and down Broadway that city is filled with small businesses, is it not?

MR. CARPENTER. Yes, sir; not only Broadway but every nook and corner of the suburban area has little industries, and they are all thinking in terms that they have done pretty well for themselves, excepting those that were pushed out, as you say, that have migrated from that little business, gone into war work and now are wondering how they are going to get back into their old businesses. Congress will have to provide certain controls that will go on in the way of allocation of materials. One of the fundamental difficulties today is that the big interests are buying up the inventories and filling up the mills with orders. I think the little fellow—gentlemen, you take care of the little man and give him confidence in the future, and I will guarantee our private-enterprise system will work all right.

MR. CHURCH. Thank you, sir.

THE CHAIRMAN. Thank you very much, Mr. Carpenter.

The committee will stand adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 1:30 p. m., the committee adjourned until 10 a. m., Wednesday, October 10, 1945.)

FULL EMPLOYMENT ACT OF 1945

WEDNESDAY, OCTOBER 10, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS,
Washington, D. C.

The committee met at 10 a. m., Hon. Carter Manasco, chairman, presiding.

The CHAIRMAN. The committee will come to order. We have with us this morning Gen. Omar N. Bradley, Administrator of Veterans Affairs.

STATEMENT OF GEN. OMAR N. BRADLEY, ADMINISTRATOR OF VETERANS' AFFAIRS

The CHAIRMAN. Do you have a prepared statement, General?

General BRADLEY. Yes, sir; I have. I would like to read it, if I may.

The CHAIRMAN. You may proceed, sir.

General BRADLEY. I appeared before the Committee on Banking and Currency of the United States Senate on August 21, 1945, at which time I gave my views on S. 380, which has passed the Senate in somewhat modified form, and is pending before this committee with a companion bill or bills of similar nature.

My views on this bill have not materially changed since I appeared before the Senate committee. I stated then my views on how veterans probably would be affected by conditions which would avoid depressions and insure work being available to everyone.

As I understand S. 380, its purpose is to insure full employment of all who want to work and at the same time give the individual freedom of choice in taking that work. It would appear to me that such legislation would tend to ease up cycles of depression and inflation. Right now I feel that avoiding a postwar depression, which would make the readjustment of veterans into civilian economy a difficult thing, is highly important to the Nation at large.

There are four things, under any condition insuring ample work opportunities to all persons who want to be employed, to be considered as having effect upon veterans in their relationships to the Veterans' Administration.

1. There would be fewer veterans applying for readjustment allowances, during periods of unemployment, under title V of Public, 346, Seventy-eighth Congress.

2. A postwar depression or widespread unemployment would naturally affect veterans as it would other citizens. Under the loan-guaranty provisions of title III of Public, 346, such a condition

undoubtedly would reduce the ability of veterans to repay loans guaranteed by the Veterans' Administration, destroying the veteran's economic status, and causing the Government to make good a greater amount of loans than is now anticipated.

3. Many veterans with partial disabilities do not claim pensions or compensation while gainfully employed. We have seen that during depression years, disability claims and benefits increases greatly.

4. We know from past experience, also, that our domiciliaries have a reduced population during periods of economic richness. To a smaller extent, this is true also of our hospitals.

I might add another point in this summation—there would be fewer veterans taking advantage of the education provisions of Public, 346, or the vocational training and rehabilitation under Public, 16, Seventy-eighth Congress. I'm not implying that veterans use these valuable benefits as a kind of bonus or jobless pay, but many veterans who otherwise would take advantage of these benefits would be attracted by the opportunities of a full-labor market.

I have always felt, and have repeatedly said, that veterans as a whole are mainly concerned with getting a job or a business or a farm, to reestablish themselves in civil life.

I do not feel that I am qualified to say whether this bill will do what it is designed to do. I have no personal preferences other than the interests of veterans as a whole. I am not in a position to comment on the political or economic aspects of the bill, even if it were appropriate for me to do so.

I have merely sought to outline some of the very probable effects on veterans if a condition can be brought about which avoids depression and insures work for all our citizens—veterans and nonveterans alike.

I think there is little more I can add. Certainly it would be neither enlightening to the committee nor helpful to veterans in general for me either to advocate or oppose any of the arguments that have been made for or against the pending legislation.

I am convinced in my own mind, however, that the most important thing for any veteran, as well as for all veterans, is the opportunity to employ his talents and abilities to gainful effort.

The CHAIRMAN. General, as I understand your statement, you do not know whether or not the passage of this bill would assure unemployed veterans a single job?

General BRADLEY. I do not know whether or not it would insure their employment. I am merely pointing out how employment or depression would affect veterans and the benefits provided by law and administered by the Veterans' Administration.

The CHAIRMAN. But you would not say that this bill would assure employment of them?

General BRADLEY. I do not feel qualified to say what the effects of the bill would be.

Mr. HOFFMAN. As I understand your statement, the substance of it is that anything that would give the veterans employment would lessen the demands on the funds available for veterans?

General BRADLEY. That has been our experience in the four ways I have mentioned.

Mr. HOFFMAN. I have no further questions.

Mr. COCHRAN. General, I was interested in your statement in reference to veterans having freedom of choice in regard to positions. Coming from a large city, St. Louis, I have had some letters from businessmen who complain that the unemployed will not take jobs offered them. They did not specifically say they were referring to veterans, but they spoke of the unemployed as a whole, and I assume that some were veterans. Do you not feel that a veteran is interested in getting permanent employment that will be beneficial to him in future years, and that therefore he is not to be criticized if he refuses to take just any job that might be offered him?

General BRADLEY. I have, of course, talked only to a limited number, because you cannot talk to any large percentage of veterans; there are too many of them. But I have talked to a great number, and I have examined some informal surveys made, and from these discussions and from the surveys I have gained the impression that the principal concern of the veteran is to come home and to get employment which will establish him in a civil community on a basis which will afford him some opportunity for advancement in the future. That is more or less a general statement, but it is the impression that I have gained from my conversations with them and from these informal surveys which I have seen.

Mr. COCHRAN. The chairman mentioned the bill guaranteeing a job to a veteran. There is nothing in this bill that guarantees a job to a veteran. It is a declaration of policy of the Congress hoping private industry can handle the situation without the assistance of the Government; but this bill lays down a policy whereby we definitely say to the Government agencies, "Plan in advance and have your plans ready in the event a situation develops where private industry is not able to absorb the unemployed and where it becomes necessary for the Federal Government, States, and municipalities to step in and help absorb them if a condition develops that should warrant that action."

You realize that that is all this bill contains. It is not a guarantee of jobs in any way. It is a planning proposition, advance planning. When we had the last depression and millions of people were out of employment, we had no plans. We wanted to do something for the people so they could feed themselves and their families. So we set up WPA. Not having planned in advance, we did not have any decent jobs under the WPA. Many white-collar workers were raking leaves. The purpose was to make them feel that they were earning what they were receiving, rather than a dole.

This is to correct a situation of that kind. It is advance planning; and if it becomes necessary for the Government to step in, which we hope and pray will not be necessary, still we will be ready. That is my view of the legislation, that it holds out hope to the people of this country that there is going to be a job for everybody who wants to work.

I am in agreement with your views that we should encourage the veterans in every way to get back in private life in positions that will be beneficial to them and their families in future years.

That is all I have to say, Mr. Chairman.

Mr. CHURCH. General Bradley, you have no opinion, yes or no, with reference to favoring or not favoring this bill?

General BRADLEY. That is right. I feel that I am only qualified to state to you what effects full employment or depression would have on the administration of the benefits provided by law for the veterans. I do not think that I am qualified to go beyond informing you how it would affect the veterans.

Mr. CHURCH. You stated that you did not feel that you could comment on the political and economic effects of such a bill?

General BRADLEY. That is correct.

Mr. CHURCH. What did you have in mind when you mentioned the political effect, near the end of your statement?

General BRADLEY. I believe this bill is somewhat of a departure from what has been provided heretofore, and I think it probably has a political aspect from that viewpoint.

Mr. CHURCH. If you were giving your personal views, would you not say that it might be or could be a dangerous departure?

General BRADLEY. I do not feel qualified to answer that question, and I doubt if my views under those circumstances would be worth giving, sir. If you do not mind, I would like to answer the question that way.

Mr. CHURCH. That is all.

Mr. WHITTINGTON. General Bradley, I wish to say that you have been very helpful and most fair and that I am sure that I share, and I believe that all members of this committee, and all good citizens, share your views that all veterans should be given an opportunity to secure jobs and that they themselves would probably be more adversely affected by improper and inadequate legislation than any other group in our population. I want to thank you for your frank and very clear statements with respect to this bill. You are to be commended when you say that your statements have in view the welfare of the veterans, and you do not know whether or not this bill will promote the objectives that either you or other American citizens have in mind for the best interests of the veteran.

Mr. HENRY. I notice, General Bradley, that your remarks were centered around S. 380. Would you care to state whether or not you have any preference as between H. R. 2202 and S. 380?

General BRADLEY. No, sir. I have not tried to make a comparative study of them. I have merely tried to make a general statement of the effect of full employment on the veterans. I am sorry I cannot answer your question.

The CHAIRMAN. Mr. Gossett?

Mr. GOSSETT. I do not believe I have any questions, Mr. Chairman.

The CHAIRMAN. Mr. Ervin?

Mr. ERVIN. General, the American people are greatly indebted to you both for your service in time of war and for your sound views in time of peace.

General BRADLEY. Thank you, sir.

The CHAIRMAN. Mr. Resa?

Mr. RESA. No questions.

The CHAIRMAN. Thank you very much, General, for your statement.

Our next witness is Mr. E. J. McHale, executive secretary of the American Veterans' Committee.

**STATEMENT OF E. J. McHALE, EXECUTIVE SECRETARY, AMERICAN
VETERANS' COMMITTEE**

The CHAIRMAN. Do you have a prepared statement?

Mr. McHALE. Yes, sir.

The CHAIRMAN. You may proceed.

Mr. McHALE. Thank you, sir. The American Veterans' Committee, gentlemen, is a committee of veterans of World War II, and I am here to make this statement on their behalf.

Mr. JUDD. Is this an organization like the American Legion? I would like to know, because there are so many of these organizations.

Mr. McHALE. Yes, sir.

Mr. JUDD. They have a short name, Amvets?

Mr. McHALE. No, sir. It is not the Amvets. It is the American Veterans' Committee. The only short title we have is AVC.

Mr. JUDD. It has the same essential objectives as the Amvets?

Mr. McHALE. It has to a certain extent.

Mr. JUDD. To serve the interests of the country and the veteran?

Mr. McHALE. The country, and then the veteran.

Mr. WHITTINGTON. What is your official position in connection with that committee?

Mr. McHALE. Executive secretary, sir.

Mr. WHITTINGTON. Are you a businessman or a lawyer?

Mr. McHALE. This is my only job; it is my full-time employment.

Mr. WHITTINGTON. In what business were you engaged, or in what profession or work, before you became executive secretary of this organization?

Mr. McHALE. Immediately before that, I was with the War Production Board as a coordinator of field operations in the Labor Department, and before that I was in the Army for 4 years.

Mr. WHITTINGTON. What branch?

Mr. McHALE. In the antiaircraft, sir.

Mr. WHITTINGTON. And before you went into the Army, what business or occupation were you engaged in?

Mr. McHALE. I worked for a public utility in the city of New York.

Mr. WHITTINGTON. Are you an engineer or lawyer, or what are you?

Mr. McHALE. I was an adjuster for that company.

Mr. WHITTINGTON. Thank you, sir.

Mr. COCHRAN. How many members have you now? I realize that your organization is in its infancy.

Mr. McHALE. Yes, sir; it is.

Mr. COCHRAN. I just wanted to know how many members you have.

Mr. McHALE. As of 3:30 yesterday afternoon the membership was 6,587.

My statement is as follows:

The men and women in the armed forces are worried. Veterans who have been discharged are worried. They are worried about jobs. They wonder whether they fit into the peacetime picture in civil life, or whether, in peace as in war, the country still regards them as expendable.

They are, of course, appreciative of the solicitude that has been manifested to date for their interests in the enactment of the various measures designed to aid them in various important ways. But they are still worried, because their most important interest of all is still in jeopardy—their chance to earn a livelihood.

You can appreciate the peculiar importance of a job to millions of servicemen when you stop to think that they have been away from the opportunities and responsibilities and habits of civilian life for several years. They are just a little concerned as to what the problems of readjustment will be. They know that their readjustment will be none too easy even if jobs are plentiful and, indeed, that it will be pretty rugged if jobs are so scarce that they have to throw someone else out of work in order to find a place for themselves. Many of them never had a job and are fearful that the only jobs available will not be very much like what they have been hoping for.

But most of all they are fearful that there may be no jobs at all for millions of them—maybe not next year, but after the first flush of spending on postwar cars and refrigerators subsides. And that is most disturbing. They want to get a secure foothold in their communities, establish families, provide homes, and make up for those lost years. As long as these men cannot be sure of future jobs, all other plans they have will be purely tentative. For veterans are men who haven't known what was going to happen to them from one day to the next and it is easy to understand that they have had their fill of uncertainty for a long time to come.

Even the current arithmetic on jobs underlines the validity of the veteran's cause for concern. The Director of War Mobilization and Economic Stabilization has forecast that there may be as many as 8,000,000 unemployed by the coming spring, and we all know that many of these will be returning servicemen. America faced its greatest economic challenge in making a successful reconversion of our war production machinery to the production of peacetime goods and services. We appreciate the magnitude of the job, for we are perfectly aware that while in our year of highest production before the war 1939, we were able to employ about forty-five to forty-seven million men and women; in 1944 about 52,000,000 men and women were employed in the Nation's factories, offices, and fields. We must now find work for nearly all of these workers and also for approximately 12,000,000 returning veterans. This will require a national output of perhaps as much as twice that which we had been able to achieve in 1939, our most prosperous prewar year.

We must be successful in this reconversion. We simply cannot afford to have widespread unemployment again. America cannot afford it—and the world cannot afford it. We must find some way to provide jobs for all. If we fail it will constitute a serious blow to confidence in our economic system and our democratic way of life. And what is equally important, a repetition of the depression of the early thirties may well drag the whole world into economic difficulties that will undermine all efforts to establish and maintain a lasting and just peace.

We believe that the first step toward winning the "battle of full employment" is contained in the so-called full employment bill. The American Veterans' Committee, after full consideration, has concluded to endorse the bill (H. R. 2202) for the following reasons:

1. The possibility of mass unemployment cannot be left to chance. Although it is conceivable that a postwar boom may keep employment high for several years after the immediate readjustment period is over, sooner or later the conditions that lead to depression can be expected to reappear. When they do we must be ready. The most effective way to meet a depression is before, not after, it has happened.

2. Planning to avoid unemployment must be compatible with free enterprise. It must coordinate and supplement the operation of individual enterprise, not impede it. And contrary to those who fear that private enterprise will be endangered by planning to avoid unemployment, we believe that it will be greatly benefited. One of the greatest impediments in the way of private enterprise is the recurring cycle of boom and depression, which ruins the majority of new enterprises and is a constant source of discouragement to new investment. To the extent that planning can avoid depressions and contribute to steadier and continuing expansion of our national production, private enterprise will gain an advantage in competition with any other source of investment.

3. Planning to avoid unemployment must be compatible with our democratic institutions. This bill is. It confers on the President and Congress no new powers. It provides an important policy and a procedure for carrying out that policy—a policy which recognizes the overall responsibility of the Federal Government for establishing and maintaining full employment with primary reliance on the constant expansion of private enterprise; a procedure which provides the machinery for executive-legislative cooperation and leadership in dealing with the unemployment problem.

There are those who believe that formal assumption by the Government of any responsibility in averting unemployment is dangerous and will lead to dictatorship. These people have already forgotten the lesson of the last depression; that when unemployment gets to be a big problem, the Government has no choice but to assume responsibility for coping with it. If the Government cannot escape this responsibility, it is the wisest policy to try to nip such depressions early, when they can be cured by normal, not crisis, treatment.

4. The bill offers the most sensible proposal yet in sight for a good beginning on the problem. The American Veterans' Committee is aware that H. R. 2202 or its companion measure in the Senate, S. 380, will not in itself cure unemployment. All it will do is to establish responsibility for coping with the problem in advance, and to create a working partnership between the President and Congress. It should put an end to the jockeying and buck passing that takes place in the early stages of a depression, when the question of Government initiative in dealing with any part of the problem tends to become a political football. Unemployment is too dangerous a problem to be handled by the haphazard and irresponsible methods of the past.

The 12,000,000 men and women who have borne arms for their country are now looking to a future in which they can live normal civilian lives. That means most of all that they are counting on having jobs. And they know that there can be few jobs for them if there is mass unemployment. We believe that this bill is an important first step in avoiding that unemployment.

The CHAIRMAN. I believe you said in your statement that this bill does not place any real authority in the President or the Congress. Do you not think that under existing laws the President already has all the authority that is given him under this bill?

Mr. McHALE. You mean emergency wartime legislation, sir?

The CHAIRMAN. No. I mean, under the Constitution.

Mr. McHALE. I think that this would clarify those powers, sir, and direct them toward the specific problem.

The CHAIRMAN. Under the Constitution the President has the right to transmit any kind of budget to the Congress that he wants to, any time he wants to?

Mr. McHALE. That is very true, sir.

The CHAIRMAN. He already has the statistical machine set up to obtain statistics on employment and investment, and so forth. Yesterday the committee received a letter from the Director of the Budget, in reply to some questions asked him about how many people would be out of work next year at the peak of unemployment; and in his letter and in the memorandum attached thereto he stated that there are many different factors that enter into it and it would be impossible to estimate accurately, but that the best available information he had now indicated 8,000,000 people. That would be the peak of unemployment next year.

Under our present system of preparing budgets, you cannot prepare them over night; it takes time. They have to be transmitted to the Congress and the Congress, through legislative committees, must authorize appropriations, and the Appropriations Committee must make the appropriations, which means that it would be impossible, if the budget were submitted to the Congress today, for any appropriations to be made available under this proposed budget in less than 10 or 12 months. So this bill, in itself, would not give a person a job tomorrow, unless it be more Government employees. Is not that your opinion?

Mr. McHALE. Of course, I imagine that it would entail additional Government employees.

The CHAIRMAN. The bill provides for making surveys as to the amount of investment, the amount of plant expansion, the amount of foreign trade, and other factors that go into making employment or unemployment. We do not know what kind of weather conditions we are going to have next year. We might have a complete failure of the corn crop. That would necessarily affect our economy throughout the United States. Do you think it would be possible for the President, in a Budget message in January, to predict a depression or predict a boom without having some foreknowledge of what the elements were going to do?

Mr. McHALE. I am not a meteorologist, sir, and I really cannot state what his chances would be in a case of that kind. However, I feel that under the existing system under which we are operating no attempt has been made to make a forecast.

The CHAIRMAN. This would require a forecast on the part of the President?

Mr. McHALE. Yes; it would, to a certain extent.

The CHAIRMAN. Don't you think it might be a little dangerous?

Mr. McHALE. No. I think it is standard business practice to make an attempt at forecasting what business is going to be for the year.

They have, I understand from my statistical friends, devices for making allowances for almost any error that could occur. I think that in agriculture, although I know very little about agriculture, some of the bigger outfits concerned with the end products of the farms have means of making allowances for crop failure, and so forth.

The CHAIRMAN. When the President makes a statement it carries a lot of weight. If the President were to announce this morning that he was going to take some drastic action with reference to strikes in this country, that would affect the stock market immediately, would it not?

Mr. McHALE. Yes, sir.

The CHAIRMAN. And if he were to announce on the 1st of January that we were going to have a depression in July, that there would be so many people unemployed, do you not think that would have a very damaging effect on our economy?

Mr. McHALE. Yes. I have been in the Army and have seen the results of statements made by men in high places on the morale of troops. I think the President is in a position where his every utterance has a reflection in almost every stratum of our national economy.

The CHAIRMAN. Would we not be placing him in a very embarrassing position if we were to say to him by legislative edict that he must on the 1st of January, in the Budget for the fiscal year beginning on July 1, predict a depression?

Mr. McHALE. You are assuming that one individual would make up his mind about this whole affair. As I understand the bill, it calls for a rather close cooperation between the executive and legislative branches.

The CHAIRMAN. A legislative committee does not have anything to do with it until the President transmits his Budget.

Mr. McHALE. I think that is one of the weaknesses of the bill that possibly could be changed.

The CHAIRMAN. You think it would be better for him to transmit the Budget secretly to the committee?

Mr. McHALE. No, sir. I think possibly a constant flow of information between the two branches during the formation of the Budget would be highly advisable.

Mr. HOFFMAN. Yesterday a witness who has had many years of experience in the Government service and who now is in private life, expressed the opinion that the Federal Government should be limited to purposes which serve the national life as a whole. Do you agree with that?

Mr. McHALE. That the Federal Government, sir, be restricted to practices that would affect—

Mr. HOFFMAN. Purposes which affect our national life as a whole.

Mr. McHALE. Rather than as individuals?

Mr. HOFFMAN. Of course the whole is made up of individuals.

Mr. McHALE. I think that is a fair statement; yes.

Mr. HOFFMAN. I think the distinction he was trying to make was that the function of Government was just to protect the citizen from competition, or from monopolies, unfair trade practices, crooks, thieves, and things like that.

Mr. McHALE. As an extracted statement I think that is a good one. I do not know what else he said, but I think that I can agree with that isolated statement.

Mr. HOFFMAN. Do you agree with me that this bill merely plans for work which may be made available if and when a depression comes and there is mass unemployment?

Mr. McHALE. No, sir; I believe not. I think that that has been our practice in the past, if I understand you correctly.

Mr. HOFFMAN (addressing the reporter). Read my question, please, (The question referred to was read by the reporter above recorded.)

Mr. McHALE. That would be one of the functions of the bill, but it would be a continuing thing, going on even in boom years.

Mr. HOFFMAN. What do you mean, the planning or the providing?

Mr. McHALE. The planning; not absolutely the production of jobs.

Mr. HOFFMAN. You would not plan to have the Government go ahead under section (e) on page 3, in boom times, and provide by Federal expenditure additional jobs?

Mr. McHALE. No, sir; it would not be necessary.

Mr. HOFFMAN. I misunderstood you, then. What else would you have the Government do other than in normal times to plan ahead so that there would be work available to give employment if and when depressions come?

Mr. McHALE. I think that is the prime purpose of the bill as stated in its title.

Mr. HOFFMAN. And the only purpose?

Mr. McHALE. That is my understanding. I am not a full employment expert. In this matter I am really the instrument of my committee.

Mr. HOFFMAN. Assuming that the President sent down a message, and Mr. Cochran, here, and other gentlemen of his ability, laid out a plan of useful public works, and then we were confronted by a situation similar to that which exists now in New York. Assume these facts—they are in the papers—that the boys overseas want to get home and we have the ships available, but when they arrive in New York the men will not unload them. There are the jobs provided by private industry. I assume that some of those jobs must be under Federal control, but the men will not work. Have you any suggestions as to whether or not a bill designed to create jobs should also create some obligation upon the part of people who will not work, to work?

Mr. McHALE. First of all, I believe that the strike has not yet been extended to include ships that are for the purpose of carrying troops.

Mr. HOFFMAN. Just a moment. I just ask you to assume that, because the paper states that the men will not unload the freight and baggage and that two battalions of soldiers had been assigned to unload the ship and that the pickets are jeering the soldiers that are unloading the ships. That may be a hard thing for you to assume, but just assume that. Also assume that out in California a public highway is blocked by men who will not work. Don't you think that a bill which makes it compulsory for the Federal Government to provide jobs should also contain some provision that those folks who are out of employment should accept those jobs and work at them?

Mr. McHALE. No, sir; I do not.

Mr. HOFFMAN. Then, what is the use, and what is gained by either the individual or the Federal Government spending his or its money to provide a job if there is no way of compelling someone to work at it? What good are a million jobs which will not be accepted by idle men?

Mr. McHALE. I think that somewhere along the line you have to start trusting somebody. You have to start trusting the American people sometime. Putting a provision into this bill to force people to take employment would make the bill what it has been called by some of its opponents.

Mr. HOFFMAN. And what is that?

Mr. McHALE. It would be depriving people of their right to seek employment.

Mr. HOFFMAN. Writing a bill which forces either individuals indirectly, or taxpayers directly, to provide the funds to create jobs does not destroy an individual's liberty or take any of his freedom away from him, in your opinion?

Mr. McHALE. No, sir.

Mr. HOFFMAN. What would you do, if you had your way, under this bill, as I understand you—and if I do not understand you correctly, you may correct me—would you have an individual or a group of taxpayers create, through the Federal Government, jobs to be available in times of unemployment?

Mr. McHALE. Yes, sir.

Mr. HOFFMAN. But you would not compel anybody to take the jobs that we have spent our money to create, would you?

Mr. McHALE. No, sir.

Mr. HOFFMAN. I think that is all.

Mr. COCHRAN. I think I understand the witness' testimony insofar as the bill is concerned, and I have no desire to go outside the bill. I think he has endorsed the provisions of the bill, and, therefore, I have no questions.

Mr. HOFFMAN. I have a few more.

What has been your life work?

Mr. McHALE. Pretty general, sir—clerical, before I went into the Army; the adjustment of claims—

Mr. HOFFMAN. Did you ever create and give anyone a job?

Mr. McHALE. In my present position, yes.

Mr. HOFFMAN. What is that?

Mr. McHALE. As executive secretary of this organization I have hired people. Is that what you have in mind, sir?

Mr. HOFFMAN. For which you were spending the money of the organization?

Mr. McHALE. Yes, sir.

Mr. HOFFMAN. Did you ever at any time, with your own funds, create a job and give employment?

Mr. McHALE. No, sir; not with my own funds.

Mr. HOFFMAN. So, about that side of it you have no practical knowledge?

Mr. McHALE. No, sir.

Mr. HOFFMAN. That is all.

Mr. WHITTINGTON. What is the concrete provision in this bill that strikes you as promoting planning for jobs?

Mr. McHALE. May I ask a question of one of my colleagues here?

Mr. WHITTINGTON. Certainly.

Mr. McHALE (after conference with an associate). It provides that there will be committees from both Houses of Congress to cooperate with the Executive in the formation of this planning, I believe.

Mr. WHITTINGTON. Where do you find that provision in the bill?

Mr. McHALE. I am sorry, sir; I do not recall.

Mr. WHITTINGTON. To refresh your memory, now, with all due reference, is not the committee that you speak of a committee appointed by the House and Senate after the President has submitted his Budget?

Mr. McHALE. Yes, sir; that is true.

Mr. WHITTINGTON. Then I ask you again, What concrete provision for the planning which you advocate is contained in this bill, and what is the section that authorizes that plan?

Mr. McHALE. I do not recall the section, sir, and I would prefer, since I am not familiar with the specific section, to give you what my general sense would be.

Mr. WHITTINGTON. I think you have given us your general sense, and I do not care for you to repeat. I am just asking you to point out the concrete provision in this bill that would provide for the plan that you endorse.

Mr. McHALE. I am sorry, sir; I cannot do that.

Mr. WHITTINGTON. Your statement is that thus far the Congress has not made provision for the prevention of depressions?

Mr. McHALE. That is right.

Mr. WHITTINGTON. And that no steps have been taken in that regard?

Mr. McHALE. That is correct.

Mr. WHITTINGTON. Our last depression began immediately following 1929, did it not?

Mr. McHALE. Yes, sir.

Mr. WHITTINGTON. One of the things that contributed to it was the failure of banks, was it not?

Mr. McHALE. Yes, sir.

Mr. WHITTINGTON. People lost their deposits?

Mr. McHALE. Yes, sir.

Mr. WHITTINGTON. Did not Congress provide for the guaranty of banks, with the result that we have planned thus far to the extent that there have been substantially no bank failures? Is not that true?

Mr. McHALE. Yes, sir.

Mr. WHITTINGTON. One of the other things that contributed to the depression following 1929 was stock manipulation, and it was reported that the American people lost \$60,000,000,000 because of the unbridled inflation and the uncontrolled manipulation of stocks. Congress has planned against a repetition of that by providing for and creating the Securities and Exchange Commission, has it not?

Mr. McHALE. Yes, sir.

Mr. WHITTINGTON. Would you include those two provisions in the category of sound planning to prevent a repetition of depressions?

Mr. McHALE. I think so, sir.

Mr. WHITTINGTON. In the third place, one of the things that contributed to the depression was the unbridled corruption that obtained among the power and utility interests of the country, as disclosed by the investigations of the Congress. Is it not true that Congress undertook to plan in advance to prevent such things by passing the Utility Act?

Mr. McHALE. Yes, sir; they did.

Mr. WHITTINGTON. And to provide for the liquidation of the so-called holding companies which, through their monopolistic practices, had robbed thousands of American citizens? Would you not count that as sound planning?

Mr. McHALE. Yes, sir; I would.

Mr. WHITTINGTON. And I could go along and enumerate many other laws that have been passed that have provided for sound planning to prevent a repetition of the depression. Inasmuch as you admit that those three are at least constructive, is it a fair statement, and is it not misleading the American people, to say that the Congress of the United States has made no plan and no provision whatsoever to prevent a recurrence of depressions that have heretofore obtained?

Mr. McHALE. Possibly my statement was made hastily; yes, sir.

Mr. WHITTINGTON. Not only that, sir, but is it not true that in the field of legitimate national public works to prevent a repetition of the use of public funds is undesirable, make-believe work, so to speak, to provide employment, Congress has adopted a long-range plan already of permanent national public improvements that are on the shelf and that will be available for construction in the event of a depression? Is not that true?

Mr. McHALE. That is true, sir. I would like to ask when Congress is going to take those plans off the shelf in order to use them.

Mr. WHITTINGTON. I think that is a fair question. I would say that it is rather difficult to forecast accurately, but there are existing agencies in the Government that constantly keep us advised as to the level of employment, as to production and as to the amount of production and the amount of demand in the country. We constantly have in the Department of Labor forecasts as to the increase in production and as to the unemployed; and nobody has suggested a better provision for keeping us advised as to the trend of unemployment. Personally, at a time, as at present, when there is no unemployment, it strikes me that the veterans for whom you speak and in whom you are interested would be prejudiced by our now announcing a defeatist attitude; and to say that Congress has made no provision for planning in an effort to prevent a recurrence of the inflations and deflations of previous years, and to express a defeatist attitude now when there is widespread employment, will do the veterans for whom you speak incalculable injustice. Let us give them the facts and let the record speak for itself, and not assume an attitude which, from a psychological standpoint, is a defeatist attitude, when we have got more employment available, more need for civilian goods, greater capacity for production and greater need for civilian goods than at probably any other period in our history. Do you think it is fair to them to assume this defeatist attitude and say that we have made no provision at all?

Mr. McHALE. I do not think that the adoption of this bill would be a defeatist measure at all, sir. I foresee, I think, that this would call for a coordination of the efforts which you have outlined and which are now available to the Congress. I do not see that it is defeatism to make sure that we do not have another depression.

Mr. WHITTINGTON. Pardon me; I did not indicate that. I said to indicate to the veterans that no plans had been made, when in truth and in fact I have enumerated a number and you have agreed with me.

Mr. McHALE. I think it would probably reenforce their confidence

in Congress. I think, further, that that type of planning has set a precedent for planning and is an argument against the arguments that have been advanced that this is planning on a big scale, and so forth, that has no precedent. I do not think that it would make for defeatism to tell the men that we are planning to avoid the sort of thing that happened before, no matter what the plan is. Even if this bill is not passed I think it is the duty of someone; and I assure you that if this bill is not passed the plans that have been made will receive plenty of publicity from my committee to the men to show that this bill does not necessarily mean that there are no plans at all made.

Mr. WHITTINGTON. I asked you one question and you said you were unable to answer it. I will ask you one more. What plan now would you envision that the President would submit in his budget—just one concrete plan of the many that might occur to you?

Mr. McHALE. I am sorry, sir; I have not thought of any concrete plan that he might submit.

Mr. WHITTINGTON. We are providing here that he submit a budget, and you frankly say that you cannot answer the question. Can you envision the passage of this bill to aid the objectives you have in view? Can you say to us what concrete proposal the President might embrace in his budget to prevent an opportunity being denied veterans and other Americans to work?

Mr. McMALE. I do not feel qualified to make any suggestion as to what he might do.

Mr. WHITTINGTON. If you have not any provision in this bill that you can point out that would involve any one concrete plan, and if you are unable to indicate to us what the President might submit, do you not think it is fair, when you come before us on particular legislation, rather than to deal in generalities, that you inform yourself about the bill so as to be able to put your finger on something in the bill that is concrete and that will promote the objectives that you have in mind?

Mr. McHALE. Yes, sir.

Mr. WHITTINGTON. That is all.

Mr. BENDER. Our friend Mr. LaFollette has to go to another committee meeting, and I am going to yield to him, but I would like to ask one question.

You are a former Government employee?

Mr. McHALE. Yes, sir; for a short time.

Mr. BENDER. And then you worked for the utility interests?

Mr. McHALE. Yes, sir.

Mr. BENDER. What utility company did you work for?

Mr. McHALE. Consolidated Edison Co. of New York.

Mr. BENDER. How long were you with them?

Mr. McHALE. Seven years.

Mr. BENDER. Were you in accord with their attitude on unemployment? Did they take care of their help, or what is your view?

Mr. McHALE. You mean the company?

Mr. BENDER. Yes.

Mr. McHALE. I understand that since I left them they have new policies. I left their employment and went into the Army in 1941, and I am not familiar with what they are doing now.

Mr. BENDER. New policies in what respect?

Mr. McHALE. Employment, and so on. I know they have changed their union policy several times.

Mr. BENDER. Were the policies all right when you were there?

Mr. McHALE. They were in question. There was a constant bickering going on, I know, between the employees and several of the unions on the property.

Mr. BENDER. What was the minimum wage paid by that company?

Mr. McHALE. I do not know, sir.

Mr. BENDER. What position did you occupy with them?

Mr. McHALE. I was an adjuster, sir.

Mr. BENDER. What were you an adjuster of?

Mr. McHALE. Almost any type of consumer claim that might be made against the company—bills, rates, and so on.

Mr. BENDER. I will yield my place to Mr. LaFollette.

Mr. LaFOLLETTE. Mr. Church wants to ask some questions.

The CHAIRMAN. I will call, first, on Mr. Randolph.

Mr. RANDOLPH. I have no questions of the witness.

The CHAIRMAN. Now, Mr. Church.

Mr. CHURCH. Mr. McHale, you endorsed this bill in your statement. Would you explain briefly to the committee how you came to your conclusions? Have you had correspondence with your membership or have you had meetings?

Mr. McHALE. We have a committee within our committee which considered the full employment legislation.

Mr. CHURCH. Will you supply for the record the membership of that committee?

Mr. McHALE. The total number of people on it?

Mr. CHURCH. Do you recall for the record now?

Mr. McHALE. There were 14 members on that committee, sir.

Mr. CHURCH. Give me the names of some of them.

Mr. McHALE. Some are servicemen, sir. Frankly, I am not familiar with their names.

Mr. CHURCH. Are not all of them servicemen?

Mr. McHALE. No, sir. Some are veterans.

Mr. CHURCH. Are they members of the American Veterans' Committee?

Mr. McHALE. Some of them are still on active service.

Mr. CHURCH. They are either in the service or veterans?

Mr. McHALE. Yes, sir. I cannot recall the names. I do not have a copy of the list here.

Mr. CHURCH. Do you recall some of them that met and determined that you should make a statement in favor of this bill? You do not recall them. Did they meet?

Mr. McHALE. I never met with them; no, sir.

Mr. CHURCH. Then your statement is pretty much your own statement?

Mr. McHALE. No, sir. This is a statement prepared by them and approved by our national policy committee in New York.

Mr. CHURCH. Is your national policy committee a different committee from this committee to which you have just referred?

Mr. McHALE. No, sir. The national policy committee is the over-all committee of which the committee studying the full employment bill is a member.

Mr. CHURCH. Can you recall the people on the national policy committee? You do not recall offhand?

Mr. McHALE. No, sir. May I ask the purpose of the question? I can find out for you, for the record, if you must have the information.

Mr. CHURCH. We want information. That is the purpose of the question.

Mr. McHALE. May I enter it in the record later?

Mr. CHURCH. Surely. Your entire committee and their present positions, and who the committee is that you say made a determination upon this policy that you speak for.

Mr. McHALE. I would prefer not to do it now.

The CHAIRMAN. Some officers resent the men petitioning Congress, and you might get some of the boys in the service into trouble.

Mr. CHURCH. No; I do not want to do that.

Mr. McHALE. May I name merely the veterans on the committee, and may I submit that to the clerk later?

Mr. CHURCH. Yes; if you do not recall their names now.

Mr. McHALE. No, sir; I do not. That is right.

Mr. CHURCH. Do you personally believe in the principle of a planned economy?

Mr. McHALE. Insofar as this particular bill may be planned economy. I believe in this bill, sir.

Mr. CHURCH. Is this a step in that direction?

Mr. McHALE. I believe a total planned economy can go off the deep end somewhere along the line.

Mr. CHURCH. And they can make mistakes?

Mr. McHALE. Yes, sir; they can.

Mr. CHURCH. Do you have in your files letters from members of your organization advocating this bill?

Mr. McHALE. Yes, sir; I do have.

Mr. CHURCH. Have you any of them with you?

Mr. McHALE. No, sir; I did not bring them. They are from service people, a great majority of them.

Mr. RANDOLPH. May I interject at that point, Representative Church?

Mr. CHURCH. Certainly.

Mr. RANDOLPH. Don't you think it would be appropriate for you to read into the record, even though you do not use the name or rank of the individual, what he or she said?

Mr. McHALE. Yes, sir; I can enter that in the record. I am not prepared to do so this morning. I think that the sense of this bill is in consonance with the statement of intentions of the American Veterans Committee, and with the chairman's permission I would like to enter that in the record if I may.

Mr. CHURCH. I would like to have all information that will benefit this committee.

Mr. McHALE. Would you like me to read the statement of intentions, sir?

Mr. CHURCH. I would be glad to have you do so.

Mr. McHALE. It is relatively short [reading]:

STATEMENT OF INTENTIONS

We look forward to becoming civilians, making a decent living, raising a family, and living in freedom from the threat of another war. But that was what most Americans wanted from the last war. They found that military victory does not automatically bring peace, jobs, or freedom. To guarantee our interests, which are those of our country, we must work for what we want.

Therefore, we are associating ourselves with American men and women, regardless of race, creed or color, who are serving with or have been honorably discharged from our armed forces, merchant marine, or Allied forces. When we are demobilized it will be up to all of us to decide what action can best further our aims.

These will include—

Adequate financial, medical, vocational, and educational assistance for every veteran.

A job for every veteran, under a system of private enterprise, in which business, labor, agriculture, and government work together to provide full employment and full production for the Nation.

Thorough social and economic security.

Free speech, press, worship, assembly, and ballot.

Disarmament of Germany and Japan and the elimination of the power of their militarist classes.

Active participation of the United States in the United Nations Organization to stop any threat of aggression and to promote social and economic measures which will remove the causes of war.

Establishment of an international veterans council for the furtherance of world peace and justice among the peoples of all nations.

Sir, this statement was started to be formed in late 1943, and as it now stands there were only changes in the phraseology made in the latter part of last year. The sense of the statement is the same as it was in 1943.

Mr. CHURCH. Your counsel revised the statement, you mean?

Mr. McHALE. Yes, sir.

Mr. CHURCH. Awhile ago you said something like this—I do not want to misquote you—that this would require at least two times the amount required to keep employment the way it was in the years you mentioned.

Mr. McHALE. The total national expenditure. I did not mean the Federal expenditure in that sense.

Mr. CHURCH. This bill provides for definite Federal expenditures so as to fill the gap, and you mentioned two times what has heretofore been spent by the Federal Government in all government, plus industry?

Mr. McHALE. No, sir. That assumes that the national income would be the same as it was in 1939. I think that everything will come up with this, and the quotation of twice as much as 1939, when considered in relation to the national income of 1939, and the possible national income under a full employment economy really does not mean a great deal.

Mr. CHURCH. But you would say that in order to get that, two times the deficit spending by the Federal Government would be justified?

Mr. McHALE. Yes, sir.

Mr. CHURCH. Regardless of how much that deficit spending would amount to?

Mr. McHALE. I cannot foresee, sir, if it is done sensibly in the tradition of the Congress and the tradition of the Presidency, that we will get to the point where we have to spend a tremendous amount of money. I think that this thing will make for a more balanced type

of living, and very quickly. If we achieve the goal set forth in the general principle of full employment, the deficit spending by the Government as suggested before may not be necessary at all. This budget might be a zero thing as issued to the Congress by the President. It is entirely possible, if you can visualize unemployment in great numbers, to also visualize a time when the President can submit a budget that calls for no Federal expenditure except the normal Government expenditures, because there is full employment entirely supported by private enterprise.

Mr. CHURCH. That is all.

Mr. COCHRAN (presiding). The chairman has asked me to recognize the gentleman from Texas, Mr. Gossett.

Mr. GOSSETT. Mr. McHale, I believe you testified that you were not familiar with the details of the bill?

Mr. McHALE. That is right, sir.

Mr. GOSSETT. You are testifying on the general objectives and purposes?

Mr. McHALE. Yes, sir.

Mr. GOSSETT. I want to ask you a few questions on the philosophy of the bill.

I think your statement of ideals and purposes set forth by the organization is excellent. You cannot just make a dogmatic statement that this bill would promote those ideals and objectives. You are not in position to say that the bill would do that, are you?

Mr. McHALE. Sir, we think that it is the most hopeful thing that we have seen to achieve that part of our statement which calls for full employment and full production for the Nation.

Mr. GOSSETT. I recall one of your objectives is a job for all in private enterprise. I take it from that that you feel it would be more helpful from a national economic standpoint if more people were employed in private enterprise and less people were employed under Federal employment?

Mr. McHALE. Yes, sir; I certainly do.

Mr. GOSSETT. From that, I am sure that your organization would deplore an increase in the 3,000,000 persons now employed by the Government. You think it would be helpful if we could have fewer rather than more people employed in the Federal Government?

Mr. McHALE. Of course, the 3,000,000 now working for the Government are not working in the types of jobs, I think, that are called for to be created under this full employment bill. However, please bear in mind that what we are advocating is not gigantic Federal expenditures for any purpose, apparently. We believe very strongly in the free enterprise system, and I think that that system becomes slightly endangered when it becomes embroiled in Federal employment.

Mr. GOSSETT. I agree with you fully on that.

Mr. McHALE. Even with that, sir, in mind we still endorse this type of bill which provides for that sort of employment.

Mr. GOSSETT. If we should build up some sort of a job guaranty through Federal legislation, would we not have to have some inducement or some method to induce people to take private employment rather than Federal employment? I recall back in the old WPA days that a great many people preferred to work on that than to accept jobs in private employment. That was always a problem, how to

induce people not to remain on WPA. Have you thought about that?

Mr. McHALE. I think that is one of the mechanics of the bill that certainly should be considered. It is always much easier to get a man to work at nothing than to work at something at which he must labor.

Mr. Gossett. You realize that we got into trouble when we rely on labels. Simply calling it a full employment bill does not make it such?

Mr. McHALE. That is true. We never said anything but that this bill was the first step in achieving the things we would like to see.

Mr. Gossett. I take it that you would agree that the growing size and activities of the Federal Government constitute a menace? Would you agree on that proposition?

Mr. McHALE. To whom, sir?

Mr. Gossett. To our national well being.

Mr. McHALE. If carried to an extreme I think it would be; yes, sir.

Mr. Gossett. You may have been a little confused with Mr. Hoffman's question a while ago when he cited a hypothetical situation which might or might not exist in New York, where longshoremen or some organization had refused to unload ships, and soldiers had been ordered to unload them; and he asked you whether or not you thought one in some situations should be forced to accept employment, and you said no.

Mr. McHALE. That is right, sir.

Mr. Gossett. Then would you say that the soldiers up there should not have been compelled to unload those ships?

Mr. McHALE. I do not consider that a fair question, sir. I cannot question at the present time the methods of command of the Army.

Mr. Gossett. You have just been released from the service. We have about 10,000,000 young Americans who were forced to serve their country in time of war.

Mr. McHALE. I think I understand the line of your question, now. In other words, if this should get to be an emergency, whether in that emergency the Government should have the power to force people to take employment for the general welfare?

Mr. Gossett. Yes, sir.

Mr. McHALE. I would not like to make a statement on that issue.

Mr. Gossett. The national interest becomes involved at times.

Mr. McHALE. Yes, sir. If you can look at a national emergency of a depression type in the same light that you look at war, then it must follow that you would agree to that.

Mr. Gossett. If we compel people to fight and die for their country in time of war, why should we not compel people to sacrifice in time of peace for the same objective?

Mr. McHALE. I would not want to answer that question; I really have never considered it.

Mr. Gossett. Can there be more than one answer to that question?

Mr. McHALE. I think so; yes, sir.

Mr. Gossett. You think that people ought to be compelled to sacrifice in peace if they are compelled to sacrifice in war? Is that true?

Mr. McHALE. No; I would not say that.

Mr. Gossett. You would not go that far?

Mr. McHALE. No, sir; I would not. To a certain degree, possibly, yes.

Mr. Gossett. We buy liberty by blood and then we fritter it away for a mess of pottage in times of peace. Is not that true?

Mr. McHALE. I am afraid that has been the record.

Mr. GOSSETT. We speak of full employment. Did we ever have full employment at any time?

Mr. McHALE. Except during this war; no, sir.

Mr. GOSSETT. We did not have full employment during the war.

Mr. McHALE. There are a certain amount of people who will not work.

Mr. GOSSETT. You believe in the old Capt. John Smith philosophy. I believe he is credited with having announced the proposition that those who will not work should not eat. Is that sound?

Mr. McHALE. It is in the Army. That is the way the Army works it. I believe in certain cases that if you do not work you do not eat.

Mr. GOSSETT. In other words, the Government should do nothing that rewards indolence with benefits? Is that a sound doctrine?

Mr. McHALE. It certainly is.

Mr. LaFOLLETTE. Your name is McHale, is it not?

Mr. McHALE. Yes, sir—M-c-H-a-l-e.

Mr. LaFOLLETTE. Mr. McHale, when a man works for an employer his body and his mind are his capital, are they not?

Mr. McHALE. Yes, sir.

Mr. LaFOLLETTE. So that if he is on strike because of working conditions or wages, at least his feeling at that time is that he is being asked to get an unfair return on his capital, which is his body and his mind; is that correct?

Mr. McHALE. Yes, sir.

Mr. LaFOLLETTE. A man who happens to own material property, physical things, a plant, machinery, and working capital, if he does not produce goods because there is no profit in it, his position is the same as that of the man who will not work when he thinks there is no adequate return for his body and his mind; is that right?

Mr. McHALE. Yes, sir.

Mr. LaFOLLETTE. So that if a man has the capacity to produce textiles and he says that if he produces a low-grade textile used in work shirts and trousers and handkerchiefs and things of that kind, he is not getting an adequate return, and he does not make them, then he is on strike, is he not?

Mr. McHALE. Yes, sir.

Mr. LaFOLLETTE. If the Government were to adopt the policy of forcing people to work, then it could likewise adopt the policy of forcing people to use their plants without a profit, could it not?

Mr. McHALE. Yes, sir; I think it could.

Mr. LaFOLLETTE. So that if we are going to use principles here based on the question of whether or not people shall be forced to accept employment, then if we carry to the extreme that analogy it seems to me we are entitled to force people to use their plants and machinery and working capital without a profit. No one would want to put into this bill a provision to require a man to use his capital, which is his body and his mind, at less than a profit, would be, unless he likewise wanted to say that a man shall use his property and his working capital and his plant at less than a profit?

Mr. McHALE. Very true, sir.

Mr. LaFOLLETTE. So your organization, I believe, does not want the latter any more than the former?

Mr. McHALE. That is very true, sir.

Mr. LaFOLLETTE. We have talked some about this bill. If the committee will indulge me I will read a little of it. [Reading:]

When there is a prospective deficiency in the national budget for any fiscal year or other period, the President set forth in such budget a general program for encouraging such increased non-Federal investment and expenditure, particularly investment and expenditure which will promote increased employment opportunities by private enterprise, as will prevent such deficiency to the greatest possible extent. The President shall also include in such budget such recommendations for legislation relating to such program as he may deem necessary or desirable. Such program may include, but need not be limited to, current and projected Federal policies and activities with reference to banking and currency, monopoly and competition, wages and working conditions, foreign trade and investment, agriculture, taxation, social security, the development of national resources, and such other matters as may directly or indirectly affect the level of non-Federal investment and expenditure.

Does that sound like a planning program?

Mr. McHALE. Yes; I think it does.

Mr. LaFOLLETTE. I have been an adjuster, too, only I dealt with damage claims in my day. So I did not know much about the way business ran, and maybe you do not; but from what you read, leaving out your personal experience, does not private business seek at all times to keep advised as to projected Federal policies and activities with reference to banking and currency, monopoly, competition, wages and working conditions, in planning their own expansion or contraction of their own business activities?

Mr. McHALE. That is true, sir; they do.

Mr. LaFOLLETTE. So that you would say generally that it would be harmful for all private business, including small business which has not the facilities to get that information, to be apprised of what the proposed Federal policies are to be?

Mr. McHALE. I certainly do.

Mr. LaFOLLETTE. It would be beneficial to small business to get this information in advance, would it not?

Mr. McHALE. Yes.

Mr. LaFOLLETTE. Do you know anything about H. R. 4181, which is a bill I introduced?

Mr. McHALE. No, sir; I have not read that bill. I read an extract.

Mr. LaFOLLETTE. In this group of things that I just read to you with reference to banking and currency, monopoly, competition, wages and working conditions, and so forth, I retained all of those but added three other categories, freight rates, industrial location and relocation, and rural and urban housing. You would not consider that those are harmful to the Patman bill by being added, would you?

Mr. McHALE. No, sir. I think that any reasonable addition to this bill would not harm the purpose for which it was drafted.

Mr. LaFOLLETTE. With reference to the coordinating of the activities of the executive branch of the Government and the legislative branch, in section 4 of H. R. 2202, in H. R. 4181 I added the following [reading]:

and that the Joint Committee on the National Budget, hereinafter established in section 5, or any duly authorized committee which may be designated.

So that section 4 of H. R. 4181 reads as follows [reading]:

The national budget shall be prepared in the Executive Office of the President under the general direction and supervision of the President and in consultation with members of his Cabinet and other heads of departments and establishments.

And then I add to it:

and that the Joint Committee on the National Budget—
which, for your information, is a congressional committee—
hereinafter established,
etc.

Don't you think that would be beneficial?

Mr. McHALE. I think I pointed that out as one of the apparent weaknesses which I personally thought were in the bill, in reply to a question of yours, sir.

Mr. LaFOLLETTE. In section 7 of the Patman bill there is a proviso for the exchange of information which reads as follows [reading]:

The heads of departments and establishments shall, at the request of any committee of either House of Congress, furnish such committee with such aid and information with regard to the national budget as it may request.

Then I added in H. R. 4181:

The President and heads of departments and establishments shall transmit and deliver copies of all communications, information, or data relating to the preparation of the national budget which shall pass between them to the joint committee or any duly authorized subcommittee thereof.

What I am seeking to do is to keep this congressional committee informed at all times of all data and information and plans of the Executive department even as the national budget is being prepared. Does that seem to be beneficial?

Mr. McHALE. I think that that is a fine administrative device and would certainly aid in overcoming the situation that was mentioned before, where the Congress suddenly gets a budget and has a very short time in which to consider it.

Mr. LaFOLLETTE. You were asked by another member of the committee if it would be dangerous if the President made the statement that he thought there was going to be a series of unemployment under private enterprise, and whether or not the stock market would go down, and very logically your answer to that question was "Yes." But let me ask you this: Do you recall when a man was President, by the name of Mr. Coolidge, and he went into Wall Street in the spring of 1928 and said that there was no limit to the amount of the credit structure of the Government and that there was no danger in an over-expanded credit structure? Do you remember that?

Mr. McHALE. Yes.

Mr. LaFOLLETTE. You were a little young, but maybe you read about it.

Mr. McHALE. I was a high-school student at the time.

Mr. LaFOLLETTE. If at the same time the President submitted the national budget he stated that because of the volume of investment and activity in private enterprise he proposed to the Congress, so that every businessman could know, small or large, certain recommended policies, exclusive of expenditures, that the Government was asking Congress to enact with reference to banking and currency, monopolistic practices, foreign trade, and so forth, and with a statement that there was reasonable ground to believe that if this policy was adopted the anticipated depression could at least be cushioned, do you think that would be beneficial for all the businessmen in the country?

Mr. McHALE. I think so, particularly if this system was inaugurated and proved successful, as I have infinite trust and belief that it will. Statements of the President, of that nature, would come to be accepted as authority.

Mr. LaFOLLETTE. You and I are both in agreement—and this is my last question—that none of us who look with more or less favor upon this legislation desire to hold out to the people of the country or the workers of the country that we are guaranteeing a job to anybody under any circumstances?

Mr. McHALE. That is true.

Mr. LaFOLLETTE. We are trying to say that there should be a Federal policy which states that it is the obligation of the Federal Government to conduct itself in such a way and to use the resources of the Federal Government, if necessary, that people may be given the right to work?

Mr. McHALE. That is true, sir.

Mr. LaFOLLETTE. And that includes, if you please, the right to use their invested capital without being forced to use it at a loss, any more than we would force people to work for what they thought their bodies and their minds were being used for at an unconscionably low return?

Mr. McHALE. Yes, sir.

Mr. LaFOLLETTE. Thank you.

Mr. HENRY. Mr. McHale, in your statement, if I remember correctly, you estimated that there may be as many as 8,000,000 unemployed next spring. If that is true, do you believe that the prompt passage of H. R. 2202 will correct that situation?

Mr. McHALE. Prevent the 8,000,000 from being unemployed, sir?

Mr. HENRY. Yes.

Mr. McHALE. I think it is possible that it might; yes.

Mr. HENRY. You realize, do you not, that even if this bill were passed promptly its mechanism would not begin to take effect until next January, and that the President in his estimate of unemployment and production, only affects from July 1 on?

Mr. McHALE. I think even the most optimistic economic forecasters, sir, assume that there will be a certain amount of transitional unemployment. Whether this figure of 8,000,000 is accurate or not, I would not care to say. It has been challenged, I believe, by the Chairman of the War Production Board as being too high, and by other reliable authorities as being too low.

Mr. HENRY. But my question is whether or not you think the prompt passage of this bill would have any effect at all upon 8,000,000 unemployed, say, next March?

Mr. McHALE. Well, hardly.

Mr. HENRY. Have you read S. 380?

Mr. McHALE. Yes, sir.

Mr. HENRY. Have you any preference between that and H. R. 2202?

Mr. McHALE. Yes, sir. We prefer H. R. 2202.

Mr. HENRY. Do you believe that the national budget of consumer and investor expenditures as provided in H. R. 2202 can be forecast accurately enough and far enough in advance to constitute a suitable guide to Government economic policy?

Mr. McHALE. Yes, sir.

Mr. HENRY. Do you think the bill will in effect tend to bind future Congresses to make good the assurances contained therein?

Mr. McHALE. I think "bind" is rather strong. It will certainly set some sort of precedent. But as to the binding effect of the bill, I am not certain it will.

Mr. HENRY. Do you think it will bind future Congresses as much as it will bind the present Congress?

Mr. McHALE. Possibly the force of precedent will be binding; yes, sir.

Mr. HENRY. Do you believe it is reasonable to assume that public expenditures can be turned on and off with the precision of timing that would be essential to the successful control of business cycles?

Mr. McHALE. I think possibly there might be a certain amount of looseness, but I think if the mechanism of the bill is set up and functioning it might very possibly, to use your words, turn on and off the Federal expenditures in time.

Mr. HENRY. You think it is reasonable to assume that that can be done?

Mr. McHALE. Yes, sir.

Mr. HENRY. Do you think it is feasible to base legislation on forecasts?

Mr. McHALE. Yes, sir.

Mr. HENRY. What effect, in your opinion, could a Presidential announcement that good times or bad times are just around the corner have, on the volume of expenditure planned by private persons and business concerns prior to such an announcement?

Mr. McHALE. Do you mean, would they then change their plans in consonance with his statement or as a result of his statement, sir?

Mr. HENRY. I am wondering what, in your opinion, would be the effect upon the economy of our Nation.

Mr. McHALE. The simple statement that we are to have good times or bad times, in itself, unaccompanied by a suggestion to alleviate it in the event that we were about to have a cycle that would not provide full employment—if he made simply that statement, I think it would have a terrible effect on the economy. However, if he made at the same time a statement of Federal policy, it would have a steadying effect.

Mr. HENRY. You think it would?

Mr. McHALE. Yes, sir.

Mr. HENRY. Could errors in the forecast have an unfortunate effect, in your opinion, on, for instance, opportunities for employment?

Mr. McHALE. Logically I would have to say yes.

Mr. HENRY. Could such errors have unfortunate effects upon business activities?

Mr. McHALE. Yes, sir; they could.

Mr. HENRY. On the financing of the Federal Government?

Mr. McHALE. Yes, sir.

Mr. HENRY. That is all.

Mr. JUDD. You have said in your testimony, Mr. McHale, and practically every other witness has said the same, that this bill does not guarantee jobs, and therefore it does not actually assure full employment. Is that correct?

Mr. McHALE. Yes, sir.

Mr. JUDD. Do you think that perhaps it is unfortunate that it is called a full employment bill, and while you may understand that it does not guarantee everybody a job, there may be a lot of veterans given assurance that no matter what happens they are going to get jobs?

Mr. McHALE. I think possibly you are right. In the case of our committee we have made very sure that that was understood by our people, through our publications, and so on. We have discussed it very thoroughly.

Mr. JUDD. Would you agree, from reading the papers, that that is not generally understood throughout the country?

Mr. McHALE. Calling it the full employment bill might be misleading.

Mr. JUDD. Would you have any objection to calling it the Maximum Employment Act?

Mr. McHALE. I have no objection to changing the title.

Mr. JUDD. The bulk of your testimony had to do with discussing the wisdom of advance planning. Do you think that it might be a still more honest title to call it the Federal Economic Planning Act? Forget about full employment and call it the Federal Economic Planning Act.

Mr. McHALE. No. I think that is rather broad, even more broad than the present title.

Mr. JUDD. But that is the whole purpose of the act, is it not, to find out the cycles, and so on?

Mr. McHALE. It is a type of Federal economic planning. I will say that; yes, sir.

Mr. JUDD. You do not think it would be better on the whole and a more accurate description to change the title to that?

Mr. McHALE. I think it would not be at all honest to call it the Federal Economic Planning Act. That is too broad a title.

Mr. JUDD. You do not think it is honest to call it the Full Employment Act, either, do you?

Mr. McHALE. I think if it is understood, it is perfectly honest. If an effort has been made to carry out the true purposes of the bill, I think that is a popular title.

Mr. JUDD. One more question. Just what is the special contribution that your organization has made that called it into being as compared with the other veterans' organizations? We have constantly a tendency to have more and more groups doing the same thing and we are curious as to why there should be this new organization with 7,000 members already.

Mr. McHALE. I think we are making an honest effort to endeavor to aid the veteran by assuring him that the entire economy is a good and sound one. We believe in the country first and the veteran second. We believe that what is good for the veteran is not always good for the whole country, but that what is good for the whole country is good for the veteran. I think that that possibly might be a unique departure in veterans' organizations.

Mr. JUDD. And you think the other organizations have not been so constantly dedicated to the good of the whole?

Mr. McHALE. I think so.

Mr. JUDD. That is all.

The CHAIRMAN. Thank you very much.

(Subsequently the witness furnished for the record the following data:)

The American Veterans Committee, a nonprofit membership association, with executive offices at 554 Madison Avenue, New York 22, N. Y. National planning committee: Charles G. Bolté, chairman; Lincoln W. Lauterstein, vice chairman; Max Roller, secretary; William J. Caldwell, treasurer; Lester Meyers, assistant treasurer; William Best, Jr., Arthur W. Coats, Jr.; Vernon A. Eagle; Lewis C. Frank, Jr.; Grant Reynolds; Kermit Walker; Harry H. Zucker, armed forces advisory committee: Col. Evans F. Carlson, United States Marine Corps; Lt. C. C. Dancer, Army Air Force; Capt. Alice B. Davey, Women's Army Corps; Corp. G. A. Harrison, Army Air Force; Corp. Edward T. Ladd, Army of the United States; Sgt. Wadsworth Likely, Army Air Force; Lt. Comdr. Oren Root, United States Navy Reserve; Capt. S. R. Spencer, Jr., Army of the United States; Lt. Michael Straight, Army Air Force; A/T Harris Wofford, Army Air Force.

The CHAIRMAN. The next witness is Mr. Millard W. Rice, national service director of the Disabled American Veterans.

**STATEMENT OF MILLARD W. RICE, NATIONAL SERVICE DIRECTOR,
DISABLED AMERICAN VETERANS, WASHINGTON, D. C.**

Mr. RICE. I do not have a prepared statement, Mr. Chairman, because I have been very busy, what with four hearings going on today and a national convention coming on and lots of other conferences to attend. I wish they could be scattered out throughout the year instead of all coming at once.

I came here today empty handed because I understood that there was a witness needed right away quick.

May I say that the Disabled American Veterans is a congressional chartered organization formed in 1920 and consisting exclusively of those Americans who have been wounded in active service in the armed forces of the United States in any war. It therefore includes disabled veterans from the First World War, including World War II, and it probably has more veterans of World War II than of any other war in which we have been engaged.

I long ago came to the conclusion that what affects the rest of the Nation also affects disabled veterans, and that frequently problems that are the problems of disabled veterans cannot be solved solely by the preference method.

At the last national convention of the organization a resolution was adopted directing and authorizing the national service director—and I am the national service director—to consult with other veterans' organizations' representatives, national officers of other organizations, and everybody in general, to ascertain the policies and procedures that might lead to the opportunity for suitable gainful, useful, and continuous employment for all war-disabled veterans.

It was our experience following World War I that thousands of those who had sacrificed parts of their bodies, their blood, or health, in the service of their country trying to preserve the American way of life, had lost that American way of life for themselves and their dependents because they could not obtain suitable gainful and useful and continuous employment. They were battered around from pillar to post because they could not get those opportunities, and thus were forced to the necessity of trying to procure increased compensation in

the way of pensions and longer periods of hospitalization from the Veterans' Administration. In the final analysis it became an alternative to trying to get gainful employment. That again will ultimately be the alternative so far as disabled veterans of World War II are concerned. Most of them would much prefer to have suitable gainful, useful, continuous employment than to have to rely on compensation or pension payments. But having been handicapped by reason of service-connected disabilities, they are entitled to vocational training to help overcome their disabilities. They are entitled to some compensation, inasmuch as their disabilities were incurred during the most hazardous employment during the war.

Experience following World War I has indicated that many partially disabled veterans are actually debarred from employment, from an industrial standpoint, because they cannot get suitable gainful and useful employment, either because of the fear on the part of employers that they run the risk of increasing their State workmen's compensation costs by the employment of such veterans, or because of general economic conditions which would have resulted in their unemployment even if they had not been veterans.

But the point is that a man who has a service-incurred disability feels that he is handicapped in getting employment, generally speaking, and is regarded as a marginal employee, and therefore is the last to be hired and the first to be fired, notwithstanding the fact that there have been several surveys by big industrial companies that have shown that handicapped persons or handicapped veterans, realizing the handicap of their disability, are inclined to be more careful and cautious and therefore less likely to be injured and lose time from their work by reason of absenteeism or illness, and are therefore inclined to be more cooperative and serviceable and loyal if properly placed than are other persons.

Notwithstanding those factors, too many disabled veterans do not find opportunity for suitable gainful employment.

So we need the enactment of laws to give them a greater assurance of having the opportunity for such employment. I could mention many of them, but that goes into another sphere than that which the committee is now considering.

I wanted to mention, however, that handicapped veterans are useful citizens. The theme of our organization for the next convention will be disabled are valuable—a play on the initials DAV. In this National Employment of Physically Handicapped Week, the observance of which has been proclaimed by the President and by many governors and mayors, we are trying to show employers generally that it is to their interest to employ handicapped persons, and particularly to employ disabled veterans. We believe that thoroughly.

As I say, after having experienced the fact that there were scores of thousands of disabled veterans of World War I who could not obtain and retain suitable gainful employment, we look to see what activities can be used to see to it that they shall be given an opportunity to live according to the American way, for which they went out to fight and sacrificed a part of their body.

We have come to the realization that if all the veterans obtained Federal jobs there still would not be enough of them. There is really no effective way by which to provide preference in private employment unless we go to the extent that the plan was inaugurated in France,

Belgium, Austria, and Germany following World War I, under which a percentage of all of the private employees must consist of disabled veterans with service-incurred disabilities of a certain degree.

In France, for example, if an employer had 10 or more employees, 10 percent must consist of veterans with disabilities of 30 percent or more in degree.

In Austria, if I remember correctly, it was 40 percent or more in degree.

That kind of a system would hardly appear to be proper in this country. We do believe that inasmuch as these men have incurred their disabilities while serving in the armed forces, the Federal Government should give them an equalized opportunity for employment by removing the fear that is now in the minds of most employers that by employing them they run the risk of increasing their State compensation costs. That fear, we believe, can be removed by the enactment of a Federal law to provide in effect that the Federal Government shall, through the Veterans' Administration, make reimbursement of all benefits paid to or on account of an injury to a disabled service-connected employee in private employment.

Why is it that employers fear that there will be an increased cost? There is an actual basis. If a man comes to a job with a disability and then incurs an additional disability, it is probable that although he may not be so likely to be injured, if he is he will be more seriously injured than would be the case with an undiseased employee.

It is history now that 7,000 one-eyed, one-legged, one-armed employees lost their jobs in Oklahoma, I think it was, or maybe Arkansas, the day after the supreme court of that State decided that an employee who had come to the job with one eye and lost his remaining eye, thereby becoming totally disabled, was entitled to compensation for total disability. Recently a decision was handed down by the Court of Appeals in the District of Columbia regarding handicapped persons.

In this case the employee, because of the war manpower shortage, was able to obtain employment notwithstanding the fact that he had one leg or one arm missing. Then he incurred a minor disability which resulted in the stiffening of his remaining limb which to him, constituted a total disability and made him unemployable. The Workmen's Compensation Commission decided that he was entitled to total workmen's compensation benefits, whereupon the employer and the insurance company made an appeal. That went to the court of appeals which decided as I have stated.

Employers are going to be fearful about employing one-legged or one-eyed or one-armed persons because of the danger that if they incur a sufficient disability they might have to pay additional compensation benefits. That is particularly true of our disabled veterans.

During the last year I and members of my staff have attended numerous conferences with governmental agencies, with planning groups, with the National Association of Manufacturers, the United States Chamber of Commerce, the National Planning Conference, joint meetings of veterans' organization groups, and so forth, to the end of trying to formulate policies and procedures that would be designed to lead to opportunities and to create opportunities for suitable gainful and useful employment for the greater number of veterans and disabled veterans. I must confess to you that those plans have not

gotten very far. I am very sadly disappointed in the fact that we were so poorly prepared by VJ-day, and I am fearful that there will be a lot of unemployed persons in this country unless we do something pretty soon.

I do not believe in planned, regimented economy. We have not had an opportunity to evaluate all these matters, and the organization authorized me to make these various studies and then try to take steps that might lead to the opportunity for employment.

Certainly any stiffening of the so-called seniority as to veterans is not going to give them an opportunity for employment. Vocational training for disabled veterans is going to do so, as to a considerable number, but not all of them. Preference as to Federal jobs is not going to do it. There is not any one thing that would seem to do it, except such an atmosphere in this country. Such economic measures in this country, such desires to purchase goods produced in this country, and a combination of various things that might create the opportunities for employment for all citizens in a free and competitive economy, if that be at all possible. But it would appear probable that the best thing that could be done would be to establish the right kind of an atmosphere and the determination on the part of members of Congress and the administration that we are going to smooth out our economic problems and are going to extend to all citizens who are employable the opportunity for suitable and gainful and useful and continuous employment.

This bill that has been passed by the Senate is so designed. I do not pretend to be any expert as to in just what respects some of the words ought to be deleted or additional paragraphs ought to be incorporated in the bill; I have not studied it to that extent. But it would at least give the responsibility to somebody to make an intensive study as to what the situation is, and it would probably lead, in view of all of the factors that should be taken into consideration, to the opportunity for employment and production; and then upon giving that responsibility to the President, it gives him the further responsibility of transmitting to the Congress at the beginning of each regular session, a national production and employment budget taking certain factors into consideration, as to what the present situation is, what the trend is, what the production is going to be, how many people are going to be employed, and how many unemployed.

It seems to me sensible that we should have such a budget so that we can ascertain, first of all, how many citizens we have; how many employees, male and female; how many who want to work, male and female; how many are now working, male and female; how many need work, how many could work, and what we can put them to work at; and then try to find out what to do. It would not provide any regimented planned economy but would put the responsibility in one place to try to think about the subject and then to devise the various steps which in the opinion of the President ought to be taken.

I do not think that it will solve the problem automatically, by any means, but it places the responsibility in one place and focuses attention on these problems.

I do not believe we will ever attain so-called full employment, or maximum employment, as far as that is concerned, but we will attain increased opportunities for employment for all who want it, and possibly avoid a repetition of the unplanned WPA days when we had

15 people leaning on their shovels and one person working, because we failed to have any adequate plan to utilize them.

After all, what is wealth? It is the production of labor adapted to raw resources. That is what it is. It is produced by labor, mental and physical. Therefore idle labor is idle wealth. It is not producing. Idle labor is a burden upon society, upon the Government, a burden upon the individuals and their families, and it is a bad thing from a morale standpoint. It does not produce anything; it merely consumes something.

Employed labor enriches the entire country and all its citizens, makes the rich richer, the middle class richer, and the poor richer, because wealth is obtained from the production of labor, mental and manual.

I do not propose to try to lay out plans by which it can be done, but it can be done, and if we put that responsibility upon the President to try to devise ways and means, probably we will more nearly attain our objective than we have during the past several decades, and in the process of doing so we can hope that those men who went out to sacrifice part of their health in trying to preserve the American way of life can have a better opportunity to live according to the American way of living.

Mr. BENDER. What percentage of the disabled veterans are in your organization?

Mr. RICE. The number of members who are paid-up members?

Mr. BENDER. Yes.

Mr. RICE. As to veterans of World War I it ranges all the way from 2 percent up to more than 50 percent. That depends on whether they have heard about it, whether they are somewhat socially minded; it depends upon whether or not they have been contacted or whether or not they think they can get any more service out of it. They are just a cross section of society, selfish and unselfish. As to the veterans of World II, there is a very small number so far.

Mr. BENDER. You mentioned the Senate bill. You have read the House bill, of course?

Mr. RICE. I read it in the original form on the Senate side. I assumed it was the same bill.

Mr. BENDER. Are you familiar with the bill as it was originally drawn?

Mr. RICE. I have not made a meticulous comparison one with the other.

Mr. GOSSETT. Don't you think we ought to deal with it more particularly as it applies to veterans? Mr. Hoffman mentioned the strike in New York. I dare say there was no veteran among those that struck. I agree we have not dealt directly with job opportunities for veterans. If it worked it would only incidentally help veterans and less incidentally help disabled veterans.

Mr. RICE. I believe it can be solved by preference methods.

Mr. GOSSETT. But you did not touch on preference methods in here.

Mr. RICE. I doubt if we ever will.

Mr. BENDER. What has been your experience in the immediate past regarding veterans who have returned from the war and are disabled, but who before they went to war had connections with various establishments? Are those establishments taking them back to work? What percentage of them are returning to their former jobs?

Mr. RICE. We have not checked on that. The Selective Service System did, and if I remember the figures correctly, when they were last announced about a year ago, about 20 percent were returning to jobs that they previously had.

Mr. BENDER. That is, about 80 percent are not in a position to return to their jobs, or their employers refused to accept them?

Mr. RICE. No; it is not because the employers refuse. It is because of the fact that veterans who have crossed State lines and international lines decide that they want to live in California instead of in Minnesota.

Mr. JUDD. Or they want a better job than they had?

Mr. RICE. Yes, sir. You remember that maybe from 10 to 30 percent, and some people have estimated as high as 40 percent, did not have jobs when they went into the service. A great percentage had temporary jobs before.

If we are going to go on the basis of the so-called superseniority, as to which there has been so much furore throughout the country, I do not believe more than one-tenth of 1 percent could be favorably affected by so-called superseniority. But judging by the newspaper publicity, you would think that most of them are going to be benefited by it. It does not have any bearing. About 30 percent of our employables live in rural areas. Seniority has no bearing there. The rest are in entrepreneur tasks, individual businesses, individual undertakings of various kinds.

I do want to emphasize that only about 10 percent of our disabled veterans are totally disabled. They get \$115 a month if they are totally disabled, notwithstanding the fact that you have seen some publicity to indicate that disabled veterans may be getting up to \$300 per month. That is only as to very, very severe disabilities, and that would go to an infinitesimal percentage. They would have to have two legs off or two arms off or two eyes out.

Ten percent of the disabled veterans who are rated as totally disabled receive only \$115 per month compensation, and no dependency allowances. It is rather an ironic situation when a man has gone out and fought to preserve the American way of life and has lost it himself.

Mr. JUDD. How many are the special ones that get special compensation?

Mr. RICE. That would represent much less than 1 percent of the total. While a man is in the military service his wife gets \$50 a month, \$20 for the first child, plus something for each additional child. When he comes back, filled with gunshot wounds, but no loss of limbs, the most that he can get from the Veterans' Administration if he applies for it and proves himself entitled to it is \$115 a month—\$45 less per month than his wife was getting while he was in the military service. So he has lost the American way of life himself and for his dependents because he has lost his health.

Something should be done in Congress pretty soon about that. I, for one, am pretty bitter about Congress—

Mr. BENDER. Have you appeared before the proper committee?

Mr. RICE. Yes; but I cannot get any information, because first they insist on the GI bill of rights and have not gotten down to taking care of the disabled veterans as yet.

Mr. BENDER. Is there a bill covering the situation?

Mr. RICE. Yes, sir. It is H. R. 1872, providing for the same amount as Canada provides for its dependents who are totally disabled. There has been no action on it because it seemed to be considered to be more important to try to get amendments to the unworkable GI bill of rights. I think that the GI bill of rights has imposed a tremendous amount of bureaucracy upon our Nation, when the much better method would have been the simple method of compensation for the loss of their civilian opportunities while in military service. Perhaps it should be computed at the rate of \$3 per day of service in this country and \$4 per day of service overseas, given them in the form of a readjustment insurance policy, the principle of which could be redeemed in limited monthly amounts not exceeding \$100 a month. It is accomplished exactly on the same basis as provided for in the so-called bill of rights, but without some bureaucrat telling him whether he was or was not entitled to it.

Mr. JUDD. He would be given a certain amount of credit on the basis of his service?

Mr. RICE. Yes, sir.

Mr. BENDER. Why has not the chairman of the Veterans' Committee given this bill the green light?

Mr. RICE. I do not know. He considers these other matters, apparently, of greater importance, or because there has been no pressure.

There has been a lot of false publicity concerning the benefits of the so-called GI bill of rights. It is mostly empty promises and is on the basis of need rather than on the basis of merit.

Mr. BENDER. How many more disabled veterans do you have now, approximately, than you had before World War II?

Mr. RICE. I should think that out of this war we probably will eventually have about 2,500,000 who would be entitled to compensation or pension if they went after it. I do not think that number will ever be receiving compensation at any one time, but I think that number will be potentially entitled to it.

Mr. BENDER. How many did you have before World War II?

Mr. RICE. The highest number we ever had at any one time was about 350,000. If you include those who at one time or another had been on the rolls it would be closer to 500,000, because disabled veterans, generally speaking, do not take the trouble to go through the technical processes which are much more difficult than filing an income-tax report for a big businessman, or of proving themselves entitled to compensation or pension unless economic necessity drives them to it. That is proven by the statistics of the Veterans' Administration, which discloses that about twice as many disabled veterans take the trouble in a depression as would do so during prosperity.

Statistics also show that when there is a lot of employment available, disabled veterans get out of the soldiers' homes and out of the hospitals. Previously termed "unemployables" or "gold-brickers," they become employed when there is employment for them. The soldiers' homes were practically depleted during World War II because of that fact. They probably will again be going back after this war unless they can retain their old jobs, if employers can be persuaded to retain them. Ninety percent are employable.

Anything that is designed to lead to that opportunity is something in which we are interested; and this bill would seem to give a promise

that plans will be made, or at least that the President is authorized and directed to try to make such plans. We do not have any real hope that the plans will be fully successful, because that probably could be done only in a regimented planned economy, if you were going to make certain that every individual was going to be fully employed at all times. We have no confidence in plans to see to it that they are all employed by preference methods, although we strongly believe in preference methods for the war-disabled veterans, and believe them to be justifiable.

Mr. RESA (presiding). Thank you very much. The committee will recess until 10 o'clock next Tuesday morning.

(Whereupon, at 12:20 p. m., a recess was taken until Tuesday, October 16, 1945, at 10 a. m.)

FULL EMPLOYMENT ACT OF 1945

TUESDAY, OCTOBER 16, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES IN THE
EXECUTIVE DEPARTMENTS,
Washington, D. C.

The committee met at 10 a. m., Hon. Carter Manasco (chairman) presiding.

The CHAIRMAN. The committee will please come to order. We have with us this morning Mr. Nathan E. Cowan, CIO legislative director, representing the Congress of Industrial Organizations.

STATEMENT OF NATHAN E. COWAN, LEGISLATIVE DIRECTOR, CONGRESS OF INDUSTRIAL ORGANIZATIONS, WASHINGTON, D. C.

Mr. COWAN. Mr. Chairman, before starting, Mr. Murray asked me to express his regrets to the committee that he was unable to appear in person this morning. He is tied up with another governmental agency. He has certain testimony here and he has asked me to appear before your committee and present it to your committee.

Mr. HOFFMAN. Mr. Chairman, before we proceed any further, it appears that since this is Mr. Murray's testimony we should be permitted to ask him a few questions about different parts of it. If I understand correctly, Mr. Murray is the head of the Congress of Industrial Organizations, and he has urged the passage of this bill, and as the question of the merits of the bill come up today I do not know why he is not here to present it personally and substantiate his conclusions. Certainly, in any other proceeding, a person cannot come by proxy and submit a statement and have it put in the record unchallenged. Therefore, I am forced to insist upon having it presented by Mr. Murray, or an opportunity given to inquire of Mr. Murray as to the facts upon which he bases his conclusions and opinions as expressed in the statement.

A statement purporting to be made by a witness but which is not the statement of another person should not go into the record as testimony given before the committee because there is no possibility of questioning the witness as to the accuracy of the statement, or its completeness, or as to any of the proper or improper deductions to be drawn from it.

The CHAIRMAN. If the witness would care to be cross-examined upon Mr. Murray's statement, would that not be satisfactory?

Mr. HOFFMAN. This is Mr. Murray's statement. This is not the statement of Mr. Cowan. I have no objection to this witness giving

his own testimony. I do object, I want it on the record very clearly, I object most strenuously to any witness who gives the views of someone else who does not appear—reading the statement of a third person into the record. When the hearings get on the floor of the House, someone will rely upon these statements that are made, and here we have a situation where somebody in all probability will quote a statement which came from the President of the CIO, and the supposition will be that we had an opportunity to examine him on it and see what he had to say about it, whether there was a foundation for it, and that is not true. This is a statement of the CIO and I think we should have the opportunity to interrogate the maker of that statement.

The CHAIRMAN. Would the gentleman be willing to strike out the words that this is the testimony of Philip Murray, president, Congress of Industrial Organizations, in support of the full employment bill, H. R. 2202, and simply make this appear as testimony given by Mr. Nathan E. Cowan? Mr. Cowan, will you adopt it as your testimony?

Mr. HOFFMAN. I do not feel that I can agree to that because I know very well that if we do, and we put any questions to Mr. Cowan, then he will fall back on the fact that "This is not my statement, this is the statement of Mr. Murray, and I do not know what he meant by this, that, or the other." I do not know nor do I care what Mr. Cowan says, and I will be glad to hear him at any time, but I do object to anything going into this record as a statement of a witness who is not here.

The CHAIRMAN. Would you be willing, Mr. Cowan, to adopt this as your testimony?

Mr. COWAN. I think this follows my own views pretty generally, and I will try to answer any questions that may be raised.

The CHAIRMAN. You have heard the statement, will that be satisfactory?

Mr. HOFFMAN. No, I insist upon a vote by the members of the committee upon this matter.

The CHAIRMAN. If he adopt this as his own testimony?

Mr. HOFFMAN. It still appears that it was prepared by and for Mr. Murray and Mr. Cowan cannot tell us what Mr. Murray meant by certain parts of the statement.

The CHAIRMAN. Mr. Cowan would be willing to have stricken from the record the statement that Mr. Murray is making this statement, and will take it as his own testimony? Will you do that Mr. Cowan?

Mr. COWAN. Well, I do not know whether I would want to agree to that or not. I do not know whether I would want to go that far.

Mr. HOFFMAN. As a matter of fact, I do not think you would. I do not think you should.

Mr. COCHRAN. Here is a man representing this large labor organization. He has with him a statement, and he says that he has no objection to placing this statement in the record, and he is willing to submit this on behalf of Mr. Murray, in his absence. It seems to me that there should be no objection to that.

Mr. HOFFMAN. I believe when a witness comes before this committee urging the passage of a bill that the members of the committee should be permitted—not only is it their right, but their duty, to ask questions with reference to it, because they may think there are some instances where its accuracy may be subject to some question, and

there may be other points that they will want to develop in connection with that particular statement and unless the witness himself appears they are denied the opportunity to do so.

Mr. COCHRAN. You would not object to including Mr. Murray's statement in the record, then, with the statement to the effect that Mr. Cowan will answer the questions that you may ask.

Mr. HOFFMAN. Yes, I do object, I am sorry to say. Why not have Mr. Murray come here some other time? We are receiving letters and telegrams from local CIO's, and national CIO's all the time. Here is the time and here is the place for us to have them come and to give their testimony and the reasons and foundation upon which they base it. They are giving us through these letters and communications of other kinds various propaganda, or statements having to do with vital legislation, and they should be here to answer any questions which are pertinent. Furthermore, the CIO has a president, he is the one on behalf of the CIO, who ought to put in his statement. I want to ask him some questions when he comes here. If this legislation has not enough merit so that Mr. Murray cannot come here and submit his statement, and uphold it, then the whole thing should be dropped and we should go to something else.

Mr. BENDER. Is it not a fact that Mr. Murray is the head of the CIO, and Mr. Cowan is his representative, and certainly a man who is CIO legislative director is in a position to submit a matter of this kind. If he were here before you—

Mr. HOFFMAN (interposing). If I may interrupt you, I was here before you heard this.

Mr. BENDER. No, I was here before you were. I was early. I was early and there was no one here, so I went back to my office.

Mr. HOFFMAN. What I meant to say was, of course, that I was here before you so far as this particular discussion is concerned. I do not believe you were here while this discussion was under way.

Mr. BENDER. I know what this is all about now, it is perfectly clear. We have admitted every other statement in times past under similar circumstances, and I do not care whether it is the National Chamber of Commerce, or the Sons and Daughters of I Will Arise, when we should admit it, and I do not understand why we should change our policy now. It does not seem reasonable to me.

Mr. COCHRAN. Why not put this in the record and then at a future date have Mr. Murray appear here, and you can examine him if you wish to do so.

Mr. HOFFMAN. That is all right with me if we have an understanding, a definite and absolute understanding that it will be stricken from the record if he fails to appear.

Mr. COCHRAN. I will not agree to anything like that. I think that an unusual request, and not justified.

Mr. HOFFMAN. I object, Mr. Chairman, to any more business until we have a quorum. I call the Chairman's attention to the fact that we do not have a quorum. So far as I know no witness has put into the record a statement and then members of the committee been denied the right to examine the witness on it.

The CHAIRMAN. Very well, we will suspend the hearings for a few minutes until we obtain a quorum.

(The hearings were suspended for 5 minutes.)

The CHAIRMAN. Let the record note the presence of a quorum. The committee will come to order. You may proceed.

Mr. HOFFMAN. May I proceed?

The CHAIRMAN. During the discussion while the hearing was suspended, I believe, Mr. Hoffman, that you said you withdraw your objection. So you clarify that so there will be no misunderstanding about it.

Mr. HOFFMAN. I will say that I am withdrawing my objection to the admission of this statement in this instance but I will also say that any testimony that will not stand the test of cross-examination is not worth the paper it is written on and under the rules of procedure in any court of the land in any State, the court would refuse a statement when the right of cross-examination is denied, if a witness has testified and then dies before cross-examination, his testimony is not evidence. If Philip Murray, president of the CIO, is not willing to come here some time in the next month and speak again in connection with this testimony, I say he is taking a very weak position.

Mr. GOSSETT. You do not think that we are going to be here for a month, do you?

Mr. ELLIOTT. You don't think it will be that long?

Mr. HOFFMAN. I believe that my statement has clarified my position in regard to the matter.

Mr. COWAN. I believe I can assure the Congressman that Mr. Murray will be glad to do that.

Mr. HOFFMAN. I assume that he would. I have no doubt of it, that he will appear if he has faith in his position.

The CHAIRMAN. Then do you withdraw your objection?

Mr. HOFFMAN. I withdraw the objection. Mr. Rich, I believe, asked for unanimous consent, and as to that I said nothing. I just want the record clear in that regard.

The CHAIRMAN. Mr. Cowan, you may proceed.

Mr. COWAN. American unity has suffered an alarming deterioration during the past 6 weeks—in spite of the very good message of President Truman to Congress on September 6. Fear grips the people.

When I appeared on August 22 before the Senate Banking and Currency Committee hearings on this bill, cut-backs following VJ-day had just begun.

Mr. RICH. Will the gentleman yield for a question?

The CHAIRMAN. Proceed, Mr. Rich.

Mr. RICH. That is in the Senate committee hearing?

Mr. COWAN. That is correct.

The CHAIRMAN. Then if you will just hand that to me. It does not need to be included in the record.

Mr. HOFFMAN. You are saying "I" all the time; whenever you say "I" I presume you mean Mr. Murray, because you are reading his statement?

Mr. COWAN. That is correct.

Mr. HOFFMAN. You are not testifying in your own behalf, but on behalf of Mr. Murray?

Mr. COWAN. That is correct.

Now, in the second week in October—I hand the committee herewith a copy of my August 22 testimony before the Senate committee.

The CHAIRMAN. You may just hand that to me.

Mr. COWAN. Certainly. Now, in the second week in October, reactionary elements in Congress are becoming bolder by the day, war agencies are being dismantled without regard to the need for an orderly transition from war to peace, and a Nation-wide campaign is under way to pit one group of Americans against another—and to make organized labor a scapegoat. This is a device to turn the clock back—to undo the whole accomplishment of the Roosevelt administration in peace and in war. Both parties in their 1944 platforms subscribed to these gains.

I call upon all elements in Congress, without regard to party politics, to halt this ebbing tide. I urge them to really begin the proposals in the message of President Truman. This message embodies our heritage from the late President, Franklin Delano Roosevelt. If enacted into law it will plant our feet in the path to postwar abundance and security.

The bill now before your committee is a cornerstone of this postwar program. It embodies the pledges of full employment made to the American people in the platforms of the Democratic and Republican Parties.

On August 22, about 2 months ago, there were already millions unemployed. Those millions have grown, and it has been predicted by the Director of War Mobilization and Reconversion that the number will reach 8,000,000 this winter and remain at that level throughout 1946. Think what that means in the lives of American men, women, and children.

Think, too, what that will mean for all Americans if the present tide is not rapidly reversed. Passage of this bill without weakening amendment will give assurance to the American people that Congress and the President are dedicated to a program of postwar abundance and security. It will set in motion the backflow of this tide.

To be sure, it cannot come into full effect before next June 30, 1946. But its effects will be nonetheless immediate. We can then expect that the President and Congress will at once set about the passage of legislation to implement this bill in many particulars.

We can all agree, I am sure, that this bill is not the last word, but the first. It is, in fact, an embodiment in new legislation of the American tradition of meeting problems as they come—marking the realization by members of both major parties that the American people expect Congress and the administration to set our course toward a full-employment economy.

We in the CIO regard the Murray-Patman bill as minimum legislation. We consider the language of the bill as sent by the Senate to the House to have been seriously weakened in several important respects. The draft as reported by the Senate subcommittee to the full committee was in many ways the best. I hand the committee herewith the observations I made on the text of S. 380 when I appeared on August 22.

The CHAIRMAN. You may hand that to me. That need not be placed in the record.

Mr. HOFFMAN. May I have a copy of that, please?

Mr. COWAN. Yes; and the previous one that you had.

The CHAIRMAN. That is the same statement that you referred to on the first page?

Mr. COWAN. Yes; that is correct.

Mr. HOFFMAN. It is hard to find some of these things in 15 volumes of Senate hearings.

The CHAIRMAN. You may proceed.

Mr. COWAN. The hearings before the subcommittee resulted in some important improvements in the original text.

In the bill as originally introduced the language reads:

All Americans able to work and seeking work have the right to useful, remunerative, regular, and full-time employment, and it is the policy of the United States to assure the existence at all times of sufficient employment opportunities to enable all Americans * * * freely to exercise this right.

We do not see why Congress should be unwilling to state this as a right, and why it is afraid to declare the policy of the United States to assure the existence at all times of sufficient employment opportunities to enable these Americans freely to exercise this right. Efforts to weaken this language are bound at the same time to weaken the confidence of the American people in the intentions of Congress and the administration.

We hear a great deal about "business confidence," well, I submit that confidence is not made by a few people in counting houses. If the whole American population, with the possible exception of a few leaders of business have confidence in the future, certainly that should guarantee American postwar progress. The debate in the Senate would indicate that many of those who profess to be the best friends of private enterprise have least confidence in its ability to attain and maintain full employment.

Mr. RICH. Will the gentleman yield for a question?

Mr. COWAN. I beg your pardon.

The CHAIRMAN. Mr. Rich.

Mr. RICH. Mr. Cowan, referring to those people in that sense, do you know who those people were that made that statement that they did not have confidence in private enterprise to attain and maintain full employment?

Mr. COWAN. I do not know who Mr. Murray has reference to there.

Mr. RICH. Would that be in the Senate hearings?

Mr. COWAN. In all probability it is in the Senate hearings.

Mr. RICH. I just wanted to know what you could tell us about that, if you knew as a certainty.

Mr. COWAN. I cannot be sure about that. I am not certain.

The language of the bill passed by the Senate which says that all Americans able to work and desiring to work are "entitled to an opportunity for useful, remunerative, regular, and full-time employment" seems to us intentionally confusing.

In section 2 (d) (4) the proviso written as an amendment into the Senate bill may prove to be either very reactionary or very progressive in its implications, although its authors may not have intended the latter. We have never heretofore had a program of taxation covering a period comprising the year in question and a reasonable number of years thereafter for any purpose. To link taxation to the goal of full employment is of course highly desirable and a long step in the right

direction. However, the bill even as originally drawn places so much emphasis upon making up a deficiency of employment after free enterprise has failed that it seems foolish to stipulate a tax program which prevents any net increase in the national debt. If Congress wishes to prevent an increase in the national debt, it should concentrate upon maximizing our gross national production and our national income, in which case taxes will be more than ample to take care of the national debt and foreseeable current expenses. I cite this because it is another example of the ostrich-like policy of "deficiency" economics fostered by the so-called friends of private enterprise. Once more I speak in favor of joint responsibility of industry, labor, agriculture, and Government for maximizing national production.

My third major criticism of the Senate bill as passed has to do with section 5 (b) (3) which has been amended so as to remove the language requiring the joint committee on the national budget to prepare and report a joint resolution setting forth for the ensuing fiscal year its summary recommendations concerning the national budget. It is not sufficient to have this committee file a report with the Senate and the House of Representatives. The filing of this report should be accompanied by a joint resolution on which the members of each House should have an opportunity to conduct a debate and take a vote. Only by this means will the American people and Congress be able to explore the issues involved in the committee report and the previous report of the President, as these issues relate to pending legislative action by various congressional committees.

In short, as over against the final Senate bill the CIO favors the passage of the original Murray-Patman bill as reported by the Senate committee following a month of extensive hearings.

Mr. CHURCH. Pardon me for interrupting you there, but I think this is important. I notice when you read that you said "as reported by the Senate committee," and as a matter of fact, I think it should be "as reported by the Senate subcommittee."

Mr. COWAN. Did I say "committee" instead of "subcommittee"?

Mr. CHURCH. That is the way I understood it.

The CHAIRMAN. I believe that is right.

Mr. COWAN. Let me repeat that. In short, as over against the final Senate bill the CIO favors the passage of the original Murray-Patman bill as reported by the Senate subcommittee following a month of extensive hearings. We commend the more than 100 Members of the House of Representatives who are pledged to seek the passage of this constructive legislation.

Mr. RICH. If I may interrupt again, your trend of thought.

Mr. COWAN. Certainly, Mr. Rich.

Mr. RICH. Are those 100 members reported?

Mr. COWAN. I believe they are reported, 120 or something like that.

Mr. COCHRAN. Mr. Patman can answer that, they meet once a week, as I understand it.

Mr. RICH. I just wanted to know who they were.

The CHAIRMAN. There was a statement placed in the record giving the names of about 115. You may proceed, Mr. Cowan.

Mr. COWAN. In praising this bill, however, I do not wish to do so without stating what the CIO considers shortcomings even in the

original Murray-Patman bill. We feel that the approach of the authors of this bill is too narrow. There does not seem to us to be sufficient emphasis upon the advisory role of labor, industry, and agriculture in the attainment and maintenance of full production and full employment.

The authors, in deference to what they seem to consider the prevailing sentiment in Congress, have written into the bill emphasis on Federal supplementation to offset a deficiency of employment. They presuppose that private industry will be unable to provide the basis for full employment. And they are probably right, if we proceed down the road we have taken since VE-day.

To convert the United States economy to peace is as big a job as the war. The time has come for all Americans to realize that. Right now there is no sign of such realization.

Judge Vinson caught a glimpse of it when he, as Director of War Mobilization and Reconversion, in his July 1, 1945, report, then said:

In 1939, our national output hit its highest peacetime level, higher than in 1929, higher than in any previous year in our history—\$89,000,000,000. Five years later that record figure was dwarfed by a new record output of \$200,000,000,000 * * * succeeded in piling our new wartime economy on top of a peacetime economy; in achieving feats of production no one believed possible. In so doing, we opened a totally new vista of what the future can hold * * * as far as our national economy is concerned it would be disastrous to go back, for we would be going back to the misery of mass unemployment.

After the war, the American economy must be dynamic, with expanding business, expanding markets, expanding employment, and opportunity. The American people are in the pleasant predicament of having to learn to live 50 percent better than they have ever lived before. Only the defeatist can scoff at this inescapable fact that we must build our economy on that basis.

This expansion must be brought about by positive policies on the part of business, agriculture, labor, and local, State, and Federal Governments.

But we have seen no major program emerge from the Office of War Mobilization and Reconversion for setting the United States on the path to such an economy. Instead, there is a widespread effort in Congress, in the administration, in the press, and in industry to imitate the lazy housekeeper—to sweep the dust under the sofa. After this war, as after the last, the ancient cry is "Back to normalcy." On this week's edition of the United States News, for example says:

Dominant White House and Congress urge is to get back to "normalcy," to please everybody, to hope that everything will work out for the best. To try to make everybody happy in this postwar period * * *

There can be no movement "back to normalcy." Normalcy for 1939 meant at least 8,500,000 unemployed. In 1940 more than one-third of the Nation's families had incomes of less than \$1,000 per year. Another 10,000,000 families had annual incomes of only \$1,000 to \$2,000 per year. Thus less than one-third of all American families had sufficient incomes to provide a mass market for any quantity of the consumer durable goods for which the United States is famous. Most American families were below an American standard of health and decency.

Since 1939 our productivity has increased greatly, and so has the number coming of employable age. Back in 1943 the Department of Commerce pointed out that in 1946 we could produce the same amount of goods that we produced in 1940 and still have 19,000,000 workers unemployed.

To go forward and not backward we shall need to set goals for ourselves, such as President Roosevelt set during the war when he called for 50,000 planes. And just as we surpassed those wartime goals, we will surpass the peacetime goals to be set by President Truman and Congress.

Organized labor is prepared to join with industry and agriculture and Government in stating such goals and is attaining them.

MR. RICH. May I ask a question right there, Mr. Chairman?

THE CHAIRMAN. You may proceed, Mr. Rich.

MR. RICH. Do you mean that labor will meet with the President of the United States in the next month, and that management also, and with the Congress, they will have a joint hearing or a joint set of rules and regulations drawn up that will be laid down and that they will keep everybody satisfied and happy, and that everything will be taken care of and everybody will have jobs?

MR. COWAN. Mr. Rich, I will tell you I am told, or at least I have read the press that such a meeting has been called. And I am hoping that out of such a conference or meeting will come some kind of a meeting of the kind that will work out some kind of a formula which will accomplish the results that we are seeking, or get as far along that road as is possible.

MR. RICH. Do not you as a representative of the CIO, as, in fact, the legislative counsel of the CIO, believe that the quicker that meeting is called the better it will be not only for the Nation at large but to the CIO?

MR. COWAN. I believe the more quickly it is called the better results will be attained, if it goes to successful results.

MR. RICH. Then why do you not try to urge the President of the United States to call that meeting, instead of waiting for November, to try to get it called just as soon as they can get here, and get these things up in shape so that something can be done.

MR. COWAN. I am afraid I personally do not have very much influence with the President. However, I know that Mr. Murray would like to see the conference called just as soon as possible.

MR. RICH. It is a very important thing right now.

MR. COWAN. There are certain people that want to participate, and who should participate, that will not be able to be there until around November 5, at least, that is my understanding.

We feel that the President's full production and employment budget should go beyond the outlines set down in this bill. It should not merely serve as a prediction of the amount of probable unemployment needing to be offset by Federal spending. There are ample tasks to absorb the energies of all Americans at steady and remunerative employment as long as this Nation shall continue to grow.

The President's full production and employment budget should emphasize the word "production." The President and Congress should at once prepare to harness United States capacity to provide a decent standard of living for every American family. This is the way to assure the market for a private enterprise economy.

I know that there are groups in industry and agriculture which will gladly join labor and government in this undertaking. But Congress and the administration must make it plain to all business groups that this is a joint undertaking we are entering upon. To reverse all

present legislative and administrative trends such as I have described, the first step is passage of this bill. The second is action by the administration and Congress on measures for postwar American progress.

The White House should base its actions on the best estimates from all qualified sources as to what Americans want, need, and can have. They should set their sights on some attainable average family income, and some minimum family income below which we shall not allow such incomes to fall.

Figuring forward toward such goals, and backward from our present productive capacity, industry by industry, they should seek to arrive at proposals for reaching these goals at stated periods of time. The United States Bureau of Labor Statistics, in testimony before the Senate Committee on Education and Labor this month, said that the so-called maintenance budget for a family of four took \$1,950. The 65-cent minimum wage bill called for by Labor Secretary Schwel-lenbach, which we are now supporting, would only provide \$1,354 per year if the worker were steadily employed for 52 weeks at 40 hours per week. The worker and his family would still fall \$600 a year short of the minimum United States family standard of health and decency, as hitherto voiced by the United States Bureau of Labor Statistics—the Heller budget for 1944, a health and decency budget calls for \$3,075.

Mr. RICH. May I ask the gentleman there a question?

The CHAIRMAN. Mr. Rich, you may proceed.

Mr. RICH. I would like to ask you, Mr. Cowan, right there, if this is going to require \$1,950, and a 40-hour week at 65 cents per hour only gives \$1,354, why does Mr. Murray recommend that? Why did he not recommend 80 cents an hour or 90 cents per hour or something as a minimum that would make this \$1,950?

Mr. COWAN. Frankly I do not know, but I have my own answer for that.

Mr. HOFFMAN. If I may interject there, what is it?

Mr. COWAN. In establishing 65 cents as the minimum for your fair labor standard—you set that up as the immediate after the war fair labor standard, and we would expect to follow that the following year with 70 cents, and the year after that with 75 cents minimum.

Mr. RICH. He expects to step that up accordingly, each year, 65 cents, 70 cents, and 75 cents, and then 80 cents?

Mr. COWAN. At least that is what the amendment calls for; yes. Our problem is, how to maintain and surpass the \$200,000,000,000 gross national product and the \$140,000,000,000 national income of 1944. That we can do so, the war has shown. We did it during the war with 12,000,000 in the armed forces. Our task is to employ 7,000,000 more men and women in peacetime occupations than we did in war jobs outside the armed forces. For this we shall need to set our goals far higher than we have to date. But the emphasis must be upon output of goods and services which the average American family needs and wants, and which our productive capacity could supply.

If American unity has deteriorated, it is because the American people do not see forthcoming in this postwar period from Congress or the administration the kind of leadership that won the war. All

Americans know our productive capacity. War workers know what they produced. Men and women in uniform know the abundance of war goods supplied to the armed forces. They now expect Congress and the administration to give leadership toward the full use of our productive capacity of men, materials, and machines.

This bill is a good step in the right direction. My criticisms are not primarily directed at this bill. The President can make it work in the right direction.

The President must act quickly if we are to have the advantages of present levels of spending and industrial operation. Once a serious sag has developed our situation may be far more difficult to correct. Furthermore we need a unified program which will keep prices down, purchasing power up, and productivity at high levels. For this, industry must agree to an examination of its cost figures, its cash position, and its reserves, including those in the United States Treasury under the carry-back and carry-forward provisions of the tax laws.

Mr. RICH. May I ask a question right there?

The CHAIRMAN. You may. Proceed.

Mr. COWAN. Certainly, if you have a question.

Mr. RICH. Mr. Cowan, Mr. Murray would like to have industry throw its books open to your examination; why do the unions object to having its, the CIO's books, open completely all the way down for inspection by the Congress and businessmen?

Mr. COWAN. I do not know the thought that Mr. Murray had there, but I know that the union does every year file a complete statement that is very clear, of all its belongings, and all its income and expenditures, and they are public property.

Mr. RICH. Do you furnish a copy of that to the public for them to see?

Mr. COWAN. I believe every Member of Congress has been mailed the latest one, or if they have not they will be I think very shortly. They were last year. That audit is made, incidentally, by an outside firm. It is made by an outside firm of auditors.

Mr. HOFFMAN. Do you now know that this record shows that they have administrative expenses of over a thousand dollars a month, and that there is no itemized accounting of that?

Mr. COWAN. I do not believe I know that; no.

Mr. HOFFMAN. You did not look that up? You did not learn that?

Mr. COWAN. Not in our report, it is not in our report that I know anything about.

The cornerstone of any statesmanlike national program is the maintenance of purchasing power among the great groups of our people in industry, trade, the professional and social services, and agriculture. This circulation of purchasing power depends primarily upon the maintenance of an increase in industrial wage rates. Already since VJ-day there has been a reduction of \$20,000,000,000 in our national purchasing power as a direct result of cut-backs—Department of Commerce figures.

An examination of the records of industry will show that the return to the 40-hour week will permit all industries previously operating 48 hours per week with overtime pay to make a 10 percent wage in-

crease immediately without additional cost to these companies. It has been forecast by Business Week that—

Corporate profits stand to be surprisingly good in 1946. The total isn't likely to fall far short of \$8,000,000,000 after Federal taxes and it might quite conceivably top 1944's \$10,000,000,000 by a slight margin.

This says nothing about net liquid assets of American corporations which have risen by 91 percent or \$22,300,000,000 since 1939. Nor does it include other liquid reserves made available by Congress in the form of future tax refunds. Corporations have accumulated about \$30,000,000,000 in carry-back credits with the Treasury, which in effect constitute a huge pool of contingent reserves that they can draw upon. Secretary of the Treasury Vinson estimated, when he was Reconversion Director, that—

The total reconversion of all plants now producing for war is expected to cost not more than \$3,000,000,000.

In addition to the need for basic increases to offset the recent declines in take-home pay, we need to establish a decent minimum wage, and adequate unemployment compensation. As soon as possible American corporations should undertake the payment of a guaranteed annual wage.

In any national program taxes must be adjusted so as to increase purchasing power of the lower income groups. To maintain real incomes these groups will also need during the transition period to see prices kept under control. The greatly expanded capacity of our country to produce durable goods must find an outlet in improved housing and health facilities and other public and private works in the field of construction, including roads and other new means of transportation. Finally, such a national program calls for an adequate foreign trade program.

Otherwise, we shall find ourselves in a disorderly period when unemployment is mounting, wage rates and take-home pay are falling, but prices are rising and some groups in the community are enjoying the benefits of a speculative boom. Clearly such a distorted economy will be headed for a crash. But it might continue for 2 or 3 years on its crazy course.

Remember that we have today an economic situation without precedent: In 1939 there were 45,000,000 employed, and in 1944 there were 64,000,000 including the armed forces; nonagricultural wages and salaries were \$45,000,000,000 in 1939 and \$98,000,000,000 in 1944; net income of farm operators and wages and salaries of farm workers was \$6,000,000,000 in 1939 and \$14,000,000,000 in 1944; corporate net income after taxes, net income of other business and of the self-employed was \$10,000,000,000 in 1939 and \$22,000,000,000 in 1944.

Mr. HOFFMAN. What do you mean by "net income" and where do you get those figures? I realize what you mean by gross income, but what about the net income?

Mr. COWAN. I do not know where those net figures came from. It was from the Department of Commerce and probably from the Bureau of Labor Statistics.

Mr. ELLIOTT. I think in order for us to be able to understand this more thoroughly I, for one, would like to have a break-down of this statement that you just read there, and the one about which Mr. Hoffman spoke, of any income from farm operations and wages and sal-

aries of farmers and so forth; I would like for your organization to furnish a break-down of that for the record, please.

Mr. COWAN. I will furnish that break-down; I will have it prepared and I will see that it is furnished to the committee.

Mr. CHURCH. That will include that whole statement, will it, the entire paragraph there?

Mr. ELLIOTT. Yes; it was my intention to have it cover the entire paragraph.

Mr. CHURCH. The whole paragraph will be broken down, as I understand it.

Mr. COWAN. Yes; I will break the entire paragraph down.

Thus we have a dual problem. We must maintain and surpass these current levels if we are to provide full employment and use our productive capacity; and we must prevent further distortion of this distribution which itself will start a deflationary spiral by leading to overproduction relative to consumer purchasing power. In short, we must move forward and upward, in balance.

Mr. CHURCH. I think we should have this thing broken down, if I say just add to that, so the hearings will show just what that is about.

Mr. COWAN. That is my intention. I will furnish it to you in that form.

I have dealt at such length on these points because I feel they have a direct bearing for your committee as you consider reporting out H. R. 2202. The American people have been led by the platforms of both major parties and by the statements of both President Roosevelt and President Truman to expect the Government to place itself squarely behind a full-employment program.

Mr. COCHRAN. In part of your statement you referred to President Roosevelt and President Truman. As a matter of fact, since then has not the Republican candidate, Governor Dewey, a year ago, made the same statement?

Mr. COWAN. I believe he has.

Mr. RICH. Lots of Republicans have made the same statement.

Mr. COCHRAN. Yes; they did.

Mr. HOFFMAN. I did not think you gave any weight to the statements of Governor Dewey, did you?

Mr. COCHRAN. I certainly do when he is right. Anybody that makes a correct statement I will agree with.

Mr. RICH. As I said before, many Republicans have made that statement.

Mr. COWAN. I think Senator Taft said that is what defeated him when that question was asked him in the Senate; I am not sure.

The American people will have no patience with equivocations written into the bill. They will see the bill as a pledge that Congress and the administration will support a full-employment program. And if the bill is defeated, the American people are found to be profoundly shocked at the thought that these pledges have been lightly given and snatched away.

The situation which confronts Congress is plain. Some members of this body may not believe America capable of maintaining our free institutions and achieving full employment. But the vast majority of the American people believe just that. And they are prepared to help achieve it.

Let me list some of the things which the American people think will contribute to a program of full production and full employment:

First. The President, with the aid of his Cabinet agencies and of a board representing industry, labor, agriculture, and the general public, must prepare a national production and employment budget. This budget should be more than a statistical forecast; it should set general goals on which the various industrial and governmental units—Federal, State, and local—have agreed.

Second. We must harness science to our national needs. First and foremost, of course, we must establish national control over atomic energy. But close behind must come a national program for both basic and applied scientific research. In the absence of proper control, atomic power may destroy mankind. But assuming that control, we must then go forward to explore and provide the benefits of all new scientific developments emerging from the war, of which atomic energy is only the most spectacular. The entire annual cost of such an undertaking, from both public and private sources, however, is only 1 day's cost of the war. And that estimate includes basic research and applied research in technology, medicine and public health, housing and community development, regional development, agriculture and forest culture, education and psychology, and all the rest.

Third. People must more and more come together to plan for themselves in their own communities. Our cities and metropolitan areas need to be completely reexamined by joint commissions of experts and citizens representing all resident groups. This is only a worthwhile undertaking if we have atomic energy under control. But that yardstick applies to all social progress in the next few years. Housing, health, education, and transportation all need community reexamination in postwar America.

Mr. RICH. Mr. Chairman, I would like to ask a question right here.

The CHAIRMAN. Proceed.

Mr. RICH. Mr. Cowan, in the third paragraph of your statement, some reference was made that people more and more should come together to plan for these things in their own community. Does Mr. Murray mean that instead of the Federal Government doing everything for the people of this country that they should look more to local home communities to do that work rather than having it done by the Federal Government?

Mr. COWAN. I do not know what Mr. Murray meant there, but I have my own views.

Mr. RICH. What are your own views in that regard?

Mr. COWAN. I do not believe that people in the community, or a labor organization, I might say our labor organization has felt that way; we never should ask for the Federal Government to do something that we could do ourselves.

Mr. HOFFMAN. You think that should be the way it should be done?

Mr. COWAN. That is my opinion in regard to the matter.

Mr. RICH. You think this should be done by the local communities, take in the various local communities?

Mr. COWAN. There will have to be a lot of cooperation of all parties cooperating for the general welfare.

Mr. CHURCH. And you feel that your local community plan will not carry through, and therefore this bill is necessary?

Mr. COWAN. Not at all. This bill can help employer and employee groups of that kind to encourage them.

Mr. CHURCH. To encourage them or discourage them? From your standpoint you believe it will encourage them?

Mr. COWAN. I certainly believe it will encourage them.

Mr. RICH. We have an aviation bill for landing fields, and instead of the Federal Government taking complete charge and doing everything, it seems to me that we ought to ask the local communities in the States to come in on it and let them work it out rather than placing all of the power in Washington. What do you say to that?

Mr. COWAN. I think I can agree that it will take the combined efforts of all concerned, local, State, and National Governments, to bring about reconversion and bring about a fair and proper peacetime economy.

Mr. RICH. Do you not feel that in the last 8 or 9 years we have tried to center everything here in Washington and take it away from the local communities?

Mr. COWAN. Frankly, I think that they have done the same thing in the States; I think the States have assumed control of a lot of power that should apply to the counties and townships and precincts, so the States are not blameless.

Mr. RICH. Take their people, the people at home know their own people, and they understand these things from a close relationship, and they are more closely associated in this in a better way, and can get better cooperation, and they know their problems better. I think for the benefit of our country, if we are going to keep it solvent it will be necessary to have closer contact with people who are well acquainted with each other.

Mr. COWAN. It must be a coordinated effort, of course; there is no question about that.

Fourth. The American people and their Government must decide how much they intend to participate in world trade. This decision is as important as any long-range decision we shall have to make and will in turn be affected by the other decisions as to how big a national production and employment budget we can have on the domestic side and how much we can produce within the borders of our own country. By agreeing to produce more of those goods in which we are most efficient and taking from abroad more of these goods in which we are less efficient, or of those raw materials in which we are deficient, we shall increase our national income. If our consumer-durable-goods industries such as automobiles, typewriters, refrigerators, and washing machines are to approach capacity production, some part of that production is bound to go abroad. The question is, What do we get in exchange?

Fifth. The foregoing are longer-range proposals. All Federal action should be undertaken within the framework of such a long-run program; otherwise we shall not have the forced draft necessary to maintain and surpass current levels of gross national production and national income. But for labor, the smaller farmer, and the independent businessman there are immediate needs which must be met.

We need markets, especially among ourselves, for the goods and services we produce. To accomplish this, wages must increase, prices

and taxes be kept down, and purchasing power be made to circulate at a steady rate and at increasing levels as productivity rises, as it is bound to do, thanks to war-born technology. Congress must hereafter do everything to encourage this trend. But since September 5 anything Congress has done discouraged the trend. I urge you gentlemen to be the first to set us on the new high road to postwar prosperity by passing this bill as advocated by 115 of your colleagues. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Cochran, some members of the committee, and a large number of the witnesses that have appeared here from time to time have cited the war period as the full-employment period. It is not quite fair to compare the wartime period to the peacetime period of production, because in wartime we had 12,000,000 able-bodied men who had been in civilian life in our production field who were in the Army; we also had 2,500,000 on the Federal pay rolls, who in normal times would not have been on; and that would make about 12½ million; we had 1,200,000 people in the aircraft industry which in peacetime would not be more than from 200,000 to 300,000 people. We also had about a million or two million people in the shipbuilding industry. Add all of these up and you reach a figure of about 19,000,000 or 20,000,000 people that were producing weapons of war, not consumer goods. So it is not quite fair to say that full employment in wartime is what we had, because all of us realize it would be impossible to continue the building of Liberty ships and shells and bombers in order to make full employment. Is that not true, Mr. Cowan?

Mr. COWAN. Mr. Chairman, I do not know, but if we are able to produce to full capacity in order to destroy, we have proven in the past few years that we have the greatest productive machine that the world has ever known or seen.

The CHAIRMAN. That is true. I will agree with you on that.

Mr. COWAN. We can either use that machine to stop and effectively block an economic rise of our citizens, and create an economic crisis of our citizens, or we can use it to produce the greatest amount and abundance of wealth that the world has ever known and seen.

The CHAIRMAN. I assume that is true, but is it not necessary when you produce that people must purchase the products of labor and manufactured products?

Mr. COWAN. That is right. I believe that we would have a better plan of economy here in the United States where there is a greater division of all of the wealth that is produced so that it should go in the hands of the many instead of into the hands of the few.

The CHAIRMAN. I am willing to agree with you on that, so far, yes.

Mr. COWAN. I think that would help; I think that would help a great deal.

The CHAIRMAN. I agree with you. I think that we should assure ourselves that there is a maximum amount of food produced, but there is a point beyond which you cannot eat any more food a day, and there is a maximum amount of clothes that you can wear, and there is a maximum number of automobiles that you can use, because while a few people may be able to own two automobiles, in general, I think that the average will mean they will have one automobile to a family. I think that is going to be about the average all along. In other words,

we cannot afford to saturate the country with more products than the country can absorb. There has to be some relationship.

Mr. COWAN. Yes. The fellow that builds the automobile ought to earn enough money to be able to ride in one of his own.

The CHAIRMAN. That is true, but ordinarily never has but one automobile; some people have two automobiles, as I said.

Mr. COWAN. We have; at least I have seen the coal operators, have seen them in my own time, when those miners were not able to earn a living, they did not even have food enough all the year around, and it seems to me that something should be done for those miners so that they would be properly protected.

The CHAIRMAN. I have seen the coal operators that kept their homes warmed with fuel oil. I am an old coal miner myself, and I know something about that. What do you think that the Federal Government should do in case industry is employing every person that it can employ to furnish goods for the consumer, and there still is between 6,000,000 and 8,000,000 people unemployed; what do you think the Government should do?

Mr. COWAN. I think the Government should step in and insure employment to those who cannot get employment.

The CHAIRMAN. And what kind of employment do you think that they should get?

Mr. COWAN. Of course in the building of worthy projects. I think they should do something worth while.

The CHAIRMAN. You would agree on that, that there are certain kind of projects—well, suppose you just give us the kind of projects that you have in mind; you do not mean leaf raking?

Mr. COWAN. No; such as the TVA, and the building of roads, and numerous worthy projects that would be an aid to the wealth and to the welfare of this Nation.

The CHAIRMAN. In our reconversion period I notice that the Budget Bureau and other people have estimated that we will have 8,000,000 people unemployed next year, and I notice Mr. Murray said that the average would be between six and eight million people next year, an average of about 8,000,000 next year. Is that your idea?

Mr. COWAN. That is true. I think there is no great calamity, I think the greatest crime on earth is to see an American parent, a father, who has a half dozen children, and he goes out honestly day after day seeking after work, and he cannot find work. He has to come home to a weeping wife and half-starved children. What can he do? In my mind's eye I go back to these boys that helped to win this war, that are the product of deprivation. I know hundreds of them—I could name them off for you if you want me to, right now—who were practically starved to death, not through any fault of their own but during 4 or 5 years those ten or twelve million boys, those young men, whose remains lie buried on foreign soil, were the products of starvation, and yet they chose to go ahead with this war and to win it. I wonder if we are the proper caretakers of their heritage if we do not do more than we are doing now.

The CHAIRMAN. I see what you are driving at there. I understand your point.

Mr. COWAN. And those who will live, they will not want to come back to a land where there was no more opportunity than there was

during the time that they were made to suffer, as they were made to suffer.

The CHAIRMAN. Would you place these 8,000,000 people on Federal projects, Mr. Cowan?

Mr. COWAN. Yes; I would place them, after private enterprise has given every effort to furnish them a job, and after private enterprise has been given every opportunity, every chance, every encouragement in the world to give them jobs, to furnish them jobs, to furnish them full employment, and if they cannot furnish them full employment, then I say it is the responsibility of the Federal Government—and after all, these boys that are coming back, these unemployed people, they are the Federal Government, they are indistinguishable from it—I say it is the responsibility of the Federal Government, as a coordinated representative of them, these people, to step in and furnish them with useful employment.

The CHAIRMAN. What would be the minimum wage that you would say they should earn? What would you say that those people are entitled to earn?

Mr. COWAN. On that I would not want to commit myself to any figure, to any definite figure. I have not given that too much study and thought. We have been, or at least I have been busy the last 4 years trying to plead with Congress to pass legislation that would take care of these things, to get down to that particular point.

The CHAIRMAN. Do you not think it is an important matter to be considered?

Mr. COWAN. It is, it is very important that we carry it out, if we are going to carry out this program. Of course, I do not think it is anything that could be considered other than important. The whole thing is very important.

The CHAIRMAN. Getting back to the amount of money, would you say \$2,000 per year would be about right?

Mr. COWAN. Mr. Chairman, I would not want to go below this report that says that a family of four should have \$3 075 to maintain the absolute basic American standard of life, a decent American standard of living.

The CHAIRMAN. With 8,000,000 people unemployed next year, if the Federal Government were to furnish them with \$3,000 a year, that would amount to \$24,000,000,000 that would come out of the Federal Government, would it not?

Mr. COWAN. Something like that; yes, that is true, but you would get a return on that in later years.

The CHAIRMAN. And would you not say that our national debt is about \$300,000,000,000 at the present time?

Mr. COWAN. Yes; but it would take just about the equivalent of that to furnish relief, where these people have to stoop to the insult and humiliation of taking the pauper's oath to get relief for doing nothing. American people do not want the dole. They want to work.

The CHAIRMAN. Do you think that our economy could stand the payment of \$24 000,000 000 per year for Federal work insurance; that is, over and above the present expenses that the Government is faced with?

Mr. COWAN. Yes; I believe so. We have brought upon ourselves a debt of \$400,000,000,000 in the last 4 years, and no one seemed to think that was particularly staggering, at least they went along with it.

and nothing has happened. I do not believe anything would happen in peacetime. I do not think that there is such a difference between peacetime and wartime as that.

The CHAIRMAN. Would it not be necessary to inflate or increase prices and decrease other values, if you used the 65-cent minimum that you are asking Congress, that would be just about the same as 10 cents an hour at the present time, would it not?

Mr. COWAN. If you are asking if I think this would bring on inflation, I do not believe that would bring about inflation. It is not great enough to do that. I do not think it would be necessary to inflate our currency, or to inflate our values of goods, even with the 65-cent minimum.

Mr. RICH. That is a very important point.

The CHAIRMAN. I am not an economist.

Mr. COWAN. And neither am I, Mr. Chairman.

The CHAIRMAN. Mr. Gossett, do you have any questions you would like to ask?

Mr. GOSSETT. Yes, Mr. Chairman. I wonder if you would care to state how big the national debt could come before we were in danger of national collapse, I would really like to know if anybody knows; I do not.

Mr. COWAN. I would not be in a position to state that here. I do not believe there will be any collapse if everybody is employed. The thing that will bring about collapse is when we are looking around the prosperity corner, just around the corner from prosperity, and we are just around it for too long.

Mr. GOSSETT. I do not think there would be a collapse if everybody was employed gainfully.

Mr. COWAN. That is right. That is right, that is my very point.

Mr. GOSSETT. And if we have to resort to large deficit spending will it not finally come to the danger point? And if so, I do not know where that would be: I would like to know if your economists have done any figuring on that.

Mr. COWAN. I do not believe they have, but I do not think that is material that I can hand you now. I think, now that I reflect on it, probably we do have such material but I do not have the material with me. I can supply it to the committee if it is desirable.

Mr. GOSSETT. If you have it I would like to have you furnish it to me.

Mr. COWAN. I will be glad to send that up to you. I will see that you get it.

The CHAIRMAN. Do you not think, Mr. Cowan, if the Federal Government undertook to guarantee employment to 8,000,000 or 6,000,000 people per year, at an adequate living wage, say of \$2,000, \$3,000, or \$3,500, that in the long run people will go to the Government more and more for their livelihood, because from what I hear and observe, people do not work as hard for the Government as they do in private industry, or for themselves? Eventually, you will have a huge pay roll of Federal employees, and the poor people that are producing coal and steel and kerosene and hay and feed will be burdened with taxes that will be almost destructive.

Mr. COWAN. I believe that private enterprise should be given all the freedom and liberty to make its contribution toward the standard of

full employment. However, if they fail to do so, and we have millions of people out of work, what are you going to do? You cannot take them out and shoot them. It is the duty, then, of the Federal Government to step in and supply, by relief projects that are certainly definitely needed in this Nation, employment for those individuals.

The CHAIRMAN. By the passage of this bill, is an admission that private enterprise cannot take up the slack, that we admit that private enterprise is now a failure?

Mr. COWAN. Not at all. Not at all. This is a safeguard, and it is not an admission that anything is a failure.

Mr. COCHRAN. I do not think that is a proper construction of this legislation; I think that the legislation speaks for itself, that we want private enterprise to do the job.

Mr. COWAN. That is right. That is eminently correct.

Mr. COCHRAN. But if it develops in a year, or any time that private enterprise cannot do the job, what we want to do in this bill is to have a plan so that somebody can step in and help out.

Mr. COWAN. You are correct, Congressman, in that statement.

Mr. COCHRAN. And if it does become necessary for us to use \$3,000 as a standard to take care of 8,000,000 unemployed, meaning an expenditure of \$24,000,000,000, that \$24,000,000,000 will go through the various channels of trade, starting out with the producer.

Mr. COWAN. It will create more employment.

Mr. COCHRAN. It will go to the retailer, all will make money and each one who is subject to taxation will make a return, so that the Government will recover a great deal of the money that it has spent in the end.

Mr. COWAN. That is largely true, Congressman, I would say.

The CHAIRMAN. If that is true, why do we not just go ahead and print \$24,000,000,000 and pass it out to the people and let them spend it themselves and spend ourselves into an era of prosperity, in a more direct way?

Would that not be much better to simply spend the money and pass it out to each one of these six or eight million people and they would be able to spend us into prosperity without the difficulty of going to work to get it?

Mr. COWAN. I do not believe it would work out that way. In the first place, it does not have all of the safeguards of the usual and ordinary method of acquiring and disposing of money behind it, which is one of the things necessarily necessary in the proper working of an economy. I do not believe that the American workers want to take gifts like that, all they want is the opportunity and the right to work and earn their living so that they can keep their dignity and their pride of achievement which is one of the things which is peculiarly American.

The CHAIRMAN. I was thinking if your philosophy is correct, that we could spend ourselves into prosperity. We can spend ourselves into prosperity by spending money and passing it out, according to that theory. It seems to me, on the other hand, however, that somebody has to work, somebody has to produce the food we eat, the clothes we wear, the coal we burn, and the other necessities and luxuries of life.

Mr. RICH. At that point, Mr. Cowan, you say that these workers, all they want is a job, and they do not want a dole.

Mr. COWAN. That is quite right. That is right.

Mr. RICH. I had a delegation of CIO people with me last week from Williamsport, Pa., quite a number of them. I asked them why they were not taking work. They said they could not get any job except for 35 cents an hour or 40 cents an hour. Frankly, I did not believe that, but I wanted the facts. So I wrote a letter to the local labor board in Williamsport, Pa., and the labor board advised me that they are listing jobs, and the jobs are going begging for workers, and these jobs pay as high as \$1 an hour. There are lots of them listed—they sent me a list of them—at 75 cents an hour. If they get 75 cents an hour, and they work 5 days, and 8-hour day, they would make \$30. Instead of that, they are on relief and taking \$18 a week. They do not want a job at which they would get \$30 a week, but they are willing to take \$18 on relief. It shows to me that they wanted to go on the dole rather than on the job. I questioned their sincerity, and so I have written to these CIO people and asked them why they did not go and take these jobs, and I am waiting for a reply. As the chairman of this committee has so ably indicated, that is one of the things that we have to deal with. The chairman of the CIO committee was there, and I sent him a copy, because I wanted him to know precisely what I had done, and because I had spoken to him about it, and I would like to know what he has to say about it. So, I do not believe that everybody would take a job. I believe they would rather take relief at \$18 a week rather than take a job at \$30 a week. So I do not believe that the statement you made is correct in all respects.

Mr. COWAN. I cannot agree with you there, Congressman. However, I do not know the conditions in Williamsport, Pa.

Mr. RICH. There are lots of jobs up there, they are advertising for men, and they cannot get them.

Mr. COWAN. Let me say this: I heard the same testimony before the Senate committee in connection with Worcester, Mass., where 2,000 jobs are supposed to be running around begging for men to take them, and the men went on relief rather than accept the jobs. So I did a little personal investigation on my own, and I developed some facts which I think are very illuminative of the situation.

Mr. RICH. If you will come over to my office, I might say, Mr. Cowan, I will give you the entire correspondence so you can see what it is.

Mr. COWAN. I would be very glad to do so. Let us examine this situation at Worcester, Mass., which I think is quite typical of some of these. There I found that a certain grinding plant laid off 300 people on VJ-day, and on that very day they laid them off, and on that same day they applied to the United States Employment Service for 300 people to fill these identical jobs. When these people applied to the United States Employment Service so that they would be eligible for relief for compensation, and they were assigned to go back into that plant and the employer wanted them to start out on the very same jobs but at 20 cents per hour to 30 cents per hour less than what they had been earning right up to that same moment, so that was the situation with which they were confronted.

Mr. RICH. How much did they offer to pay them? Was there any difference in that?

Mr. COWAN. I do not know what the rate was, but it was from 20 cents to 30 cents lower than they were getting.

Mr. RICH. Well, it is very probable that since these men have been receiving time and a half and double time during the war, they might want to receive it now, and they do not want to accept regular time, but do you think we are going to be able to get the country back on a solvent basis if everybody expects to get the same amount that they were getting, time and a half and double time? During wartime? Do you think that these men will go back to work at peacetime jobs and wages?

Mr. COWAN. I believe they will go back to work if they are offered anything like a fair basis.

Mr. RICH. In this instance, you say they would not go back?

Mr. COWAN. Congressman, let me ask you this, because I think it will illustrate this point; do you think it is fair for an employer to resort to subterfuge and to lay people off on VJ-day, and then on that very same day, send to the United States Employment Service for 300 people, 300 employees to fill these identical jobs at from 20 cents to 30 cents per hour less?

Mr. RICH. I do not know what all these facts and circumstances are. I do not know what their circumstances and conditions were, and they vary in each instance, of course.

Mr. COWAN. I do know about it because I have looked into it carefully, and that is the situation. I do not have it in my heart to condemn those men for not wanting to go back and take a cut of 20 cents to 30 cents an hour under any such arrangement as that.

Mr. RICH. I would have to know exactly what the conditions are. I would be glad to have you come to my office and I will give you full information about this situation at Williamsport, Pa. I have all of the facts there.

Mr. COWAN. And I would be glad to have them.

Mr. RICH. I would be glad to check back with you on that and let you know what they are.

Mr. COWAN. I will have to get some information on that. I would be very glad to get some information on that myself. And I might say to you that I have been in Williamsport, Pa., myself, and I know something about it.

Mr. RICH. You have been in Williamsport, Pa., and you know something about this situation?

Mr. COWAN. Not about this particular situation, but I do know something about Williamsport.

Mr. BENDER. Will the gentleman yield; reference has been made by the gentleman to \$18 a week as relief, and, as I understand it, it is not relief but unemployment compensation; and represents money that was paid into a fund; it is not a drain on the United States Treasury at all.

Mr. COWAN. That is quite true. That is quite right.

Mr. RICH. The man will take \$18 a week out of the United States Treasury rather than take \$30 a week which he could get on a regular job; \$30 to \$40 a week.

Mr. BENDER. Is it not a fact that if the job at \$30 has been offered to him, and he does not take it, he is not entitled to receive unemployment compensation?

Mr. COWAN. Without too much information about it, that is my general understanding.

Mr. RICH. Then, it seems to me that is not the question, but these men have an unusual idea about it. Personally I would rather go out and do work, I would rather go out and work for \$30 or \$40 a week than I would to get \$18 a week in the form of a dole.

Mr. BENDER. Is it not a fact that these people who turn down a \$30 a week or a \$40 a week job are not entitled to compensation?

Mr. COWAN. It is my understanding that is so.

Mr. BENDER. Then somebody is not on the job.

Mr. COWAN. So it would seem.

Mr. RICH. If these two men are refusing to take a \$40 a week job, and—there were a great many of them as a matter of fact, they are taking \$18 a week, it seems to me that that situation is rather clear.

Mr. BENDER. I believe we should have some further investigation because that does not seem to me to be a correct situation.

Mr. RICH. I am telling you about that. I am telling you the results of my investigation. I went into that very carefully.

Mr. BENDER. If they are paying this money out when these men have been offered jobs and refuse them, that constitutes a violation of the law, as I understand it.

Mr. RICH. Just the point that I want to make is this, these men refused to take a \$30 a week or a \$40 a week job, preferring to take \$18 a week dole. This is going on all over the country, it is not just at this place, but many other places.

Mr. BENDER. I do not know anything about that. General, sweeping statements sometimes lead to error.

The CHAIRMAN. Mr. Hoffman, do you have any questions?

Mr. HOFFMAN. Following up the point which Mr. Rich made here, and to which the distinguished gentleman from Ohio, Mr. George Bender, referred, I noticed in one issue of the News-Palladium of Benton Harbor, Mich., 17 advertisements for men. Do you have any CIO men in that community there who are unemployed?

Mr. COWAN. I do not know, Congressman.

Mr. HOFFMAN. Will you report to us in regard to that?

Mr. COWAN. Frankly, I am not familiar with Benton Harbor, Mich., and the situation there. What is the name again?

Mr. HOFFMAN. Of Benton Harbor, Mich.

Mr. COWAN. I am not familiar with that section of the country. When you get me out of Pennsylvania, frankly, I am lost.

Mr. HOFFMAN. It is east of Chicago, on the west side of Michigan, the east side of Lake Michigan; you can locate it that way. From that same place I had a telephone conversation yesterday with Mr. Dixon, who is the president of the Benton Harbor Malleable Industries, who had learned that they might be short of coal because of the strike and an order of the Solid Fuels Administration and he took it up with me. It seems they have to use a very high-grade, low-ash coal, of which there never was a great deal produced in this country, and now there is to be less, unless they can get coal of that quality in Michigan in 3 or 4 weeks there will be 800 men in that 1 industry

who will be out of jobs. I talked with Dr. Potter, of the Solid Fuels Administration, and he said the reason coal was short was that miners had cut off 80 percent of the supply of that kind of coal since September 21. Under those circumstances do you think it is proper for Congress to appropriate Federal money to create jobs for those 800 men, when the real cause of their unemployment lies in the fact that they cannot get coal to fire their furnace molds because of a strike over the question of whether certain supervisory employees should be organized?

Mr. COWAN. I believe the bull of the woods, John L. Lewis, could answer that.

Mr. HOFFMAN. John Lewis is not here, he is probably busy. I will say in his behalf that apparently he does fairly well for the miners who are members of his union, although I do not care to express any opinion over some of his demands.

Mr. COWAN. I differ with you there. I have differed with John L. Lewis over a good long period of years, for that matter.

Mr. HOFFMAN. The question goes to the merit of the bill. Of what avail is it for the Federal Government to provide jobs when the employees in one industry throw the employees in another industry out of work? Should there not be something in the bill that will prevent that from happening?

Mr. COWAN. I believe that you are talking about the time now; of course, as the thing stands now they do not seem to know where they are going. We are speaking about the postwar situation.

Mr. HOFFMAN. No; you are talking about the present time, in the very last page of that statement, you note the immediate time, and the immediate need and about plans to prevent unemployment in the future.

Mr. COWAN. I find it, the immediate need. That is correct.

Mr. HOFFMAN. The immediate need for this kind of legislation.

Mr. COWAN. With 8,000,000 men or 9,000,000 men out of work, there is certainly an immediate need for action.

Mr. HOFFMAN. Here is a wire that came in from Watervliet, Mich.:

I presume you are interested in knowing how Michigan industries are being affected by the present coal situation. The last coal shipped us was in October, OCCDE. Expect operating this week then curtail operations or shut down entirely.

The situation surely is a handicap when it comes to supplying present need for paper and the creation of more jobs in civilian industry, is the further comment there. This is not an isolated instance. Do you realize that all over the country industries are being shut down because of a lack of fuel?

Mr. COWAN. There is no doubt about it. That is correct.

Mr. HOFFMAN. There is no question about it. Of what avail is it then—

Mr. COWAN. Not only that, but it looks as if the people might go cold this winter.

Mr. HOFFMAN. Of what avail is it for the Federal Government to appropriate money to build harbors, docks, highways to create jobs for the unemployed when that sort of thing is going on?

Mr. COWAN. That is just another labor dispute, Congressman. In the course of time it will work itself out, within the next few days in all probability.

The CHAIRMAN. In the meantime unemployment is created. As you suggest, people may go cold.

Mr. COWAN. No doubt about it. That is true.

Mr. HOFFMAN. And now you come to Congress and in this statement Congress is bitterly criticized because it has not acted. I repeat my question and I say to you, and I would like to get an answer from you on this question if you will be good enough to give it to me: Of what use, of what avail is it for Congress to act and spend the taxpayers' money creating new jobs for people if your unions are creating unemployment, if pickets will not let men work? That has been going on over the past ten years, and I am referring now to these jurisdictional strikes, and not to legitimate labor differences between an employer and employees over wages, hours or working conditions. I am not referring to that.

Mr. COWAN. Personally, I do not believe in strikes.

Mr. HOFFMAN. I am interested in what you believe it would be proper for Congress to do under the circumstances.

Mr. COWAN. I have never felt that throwing bricks at one another was the better way to work out industrial disputes, I think that instead of throwing bricks people should sit down at a table and rationalize the thing in a legitimate and sensible sort of way.

Mr. HOFFMAN. Do you not see what I am trying to get at: I want to find out of what avail it is for Congress to appropriate money to create jobs if these employees in the unions justifiably or unjustifiably created unemployment? The employment—the jobs are there if they would accept them, but because of strikes or for some other reason they are not accepted.

Mr. COWAN. I would say this that workers have the right to strive to better their conditions in industry, and it may result in temporary stoppage, but it has no relationship to this thing.

Mr. HOFFMAN. I am not talking about that, but I am talking about how effective this proposed legislation would be if the unemployed are not required to work at the jobs created? Would you advocate the Federal Government appropriating money for 10,000,000 jobs, and plan to build the necessary, useful highways, or other public works, and at the same time permit the employees through these organizations, or individuals, to create unemployment in jobs that are already available or in those planned?

Mr. COWAN. If there are 8,000,000 or 10,000,000 unemployed people in this country, I say that it is a responsibility and duty of the Federal Congress to see that they are provided with useful employment if free enterprise is not able to do so.

Mr. HOFFMAN. Coupled with some sort of responsibility on the part of the unemployed I hope.

Mr. COWAN. I am not talking about strikers now.

Mr. HOFFMAN. Can you ignore strikes and unemployment created by strikes, while considering this bill?

Mr. COWAN. Yes; I think a lot of those disturbances throughout the country, in my own mind, is created because of the fact that there is no program; we have been talking about it for the last 2 or 3 years, and trying to get a program, but nothing came out of it and now we find ourselves with the war over and no program whatsoever.

Mr. HOFFMAN. You are familiar with the Kelsey Hayes strike?

Mr. COWAN. Frankly I am not familiar with that particular matter.

Mr. HOFFMAN. I will enlighten you in regard to it. The Secretary of Labor stated it very succinctly and very concisely before the committee, and his statement was that four employees threw the foreman out. The War Labor Board decided the four men should go off the pay roll. The union said that they should go off the pay roll. Nevertheless, the other employees continued their strike, and as a result some 35,000 to 40,000 Ford Motor Co. employees were off of the job.

Mr. COWAN. I do not believe that strike was called by the international union.

Mr. HOFFMAN. No; it was not. The strike was against the orders of the international union, there is no question about that. Nevertheless, it caused the unemployment of some 40,000 to 50,000 men in the city of Detroit. In considering any bill guaranteeing full employment and the right to work, should we not take those factors into consideration?

Mr. COWAN. That is settled now, they have gone back to work.

Mr. HOFFMAN. That is right, but should we not give some weight to conditions of that kind?

Mr. COWAN. I do not think you should in the consideration of a bill of this kind.

Mr. HOFFMAN. Then we might create 8,000,000 jobs, and half of them might be unavailable to idle people because of strikes. Where would we get?

Mr. COWAN. I do not believe that that would exist.

Mr. HOFFMAN. I did not hear you.

Mr. COWAN. I do not think that that would exist, that kind of a condition, where you would have millions of jobs running around looking for people to work. You might have an occasional wildcat strike of that type.

Mr. GOSSETT. The general proposition is, if we are going to supply jobs there should be some provision to require people to work when jobs are open in free industry—

Mr. HOFFMAN. I for one do not contend that there should be compulsion, but I think that unless we are given some assurance that the jobs created will be accepted and worked at there is no use in creating them. I do not care for the automobile that I do not get to drive. Is it your contention that the workers of this country should not have any responsibility at all when this issue of unemployment arises? In that connection let me say that I am one of the few Congressmen who has refused to vote for legislation to prohibit strikes.

Mr. COWAN. Yes; I do recall that you declined to vote to prohibit strikes.

Mr. HOFFMAN. Assume your picket line has been formed and that I am on my way to go to work in the factory, and there was a job open there for me, and they want me to work there and I want to work there, should I be allowed to work there, or should I go on this unemployment fund?

Mr. COWAN. That would depend on the situation that existed there.

Mr. HOFFMAN. Pardon me. I did not hear you.

Mr. COWAN. No, I would not, I still say that we have the right to picket in this country.

Mr. HOFFMAN. Yes; I think so too, the Supreme Court has said that you have, it has so held, so there is no use trying to contend to the contrary. Do you feel that you are in favor of the mass picket line, which by closed ranks, and by threats of violence and by intimidation, keeps away other men who want to go to work in that factory?

Mr. COWAN. I certainly do if I was working in that plant, I certainly do.

Mr. HOFFMAN. Just what right, legal or moral, have you for keeping me from a job in a factory, keeping me from a job by force, when you want to picket and I want to work?

Mr. COWAN. Well, I feel that when there is a group of people working in a factory, and a certain majority group is functioning in there as a collective-bargaining unit, that the minority should go along with the majority in that plant.

Mr. HOFFMAN. If they do not want to do that, you are not going to let them do it?

Mr. COWAN. That is the custom in this country, I believe it is the rule of the majority. I think that has been set up in this country for a long time.

Mr. HOFFMAN. Did you ever know of any instance in this country where the majority had the right to beat up the minority?

Mr. COWAN. No; I do not believe in that. I do not believe in that.

Mr. HOFFMAN. You do you believe that that is the right thing to do, do you?

Mr. COWAN. That is right. I believe in persuasion every time, I believe it will do the most good.

Mr. HOFFMAN. Of course, you know what has happened in some of these cases, do you not?

Mr. COWAN. I can say this, I would never hit anybody over the head with a brick.

Mr. HOFFMAN. Do you believe in massed strikers, shoulder to shoulder, trying by force to prevent others from entering a factory where they want to go to work, and these people want to keep them out?

Mr. COWAN. Yes, indeed. I have been in picket lines like that, as a matter of fact, and if you are in the picket line, you will feel a little differently about it. You will know what you are up against.

Mr. HOFFMAN. Block the gate so that men cannot get into the plant and go to work, when they want to go to work?

Mr. COWAN. That is true. Labor has to do something to gain its proper place.

Mr. HOFFMAN. That is a sort of over-all policy of the CIO, is it not?

Mr. COWAN. We were bucking the Bethlehem Steel Co., and they had a policy of nonunionism, and the exploitation of their workers, and company unions, and everything else that they could think of. It was necessary for us to take appropriate measures, which we did.

Mr. HOFFMAN. Going back to this over-all policy of the CIO, as you know, it is to prevent the entrance to a factory which is blocked by a mass picket line.

Mr. COWAN. I think that is irrelevant to the enactment of this legislation, frankly, Congressman.

Mr. HOFFMAN. You think what?

Mr. COWAN. I think it has nothing whatever to do with the enactment of this legislation, Congressman.

Mr. HOFFMAN. I think it does, because you and the CIO are asking us to create jobs, and I am asking you, if it is not the policy of the union, of the CIO, by having a mass picket line to prevent a man from taking a job where we have created a job in order to take care of that man?

Mr. COWAN. I am not asking you to create jobs by this legislation.

Mr. CHURCH. I want to hear the answer to the question. I did not hear it. I think we should have a little more order.

The CHAIRMAN. Gentlemen, we must have a little more order.

Mr. COWAN. It should provide jobs only as a last resort. We should provide industry jobs if possible. We are hoping that private industry will furnish the jobs. We hope they will furnish the jobs, but in the event that they fail, and cannot furnish them then we feel it is the duty of the Federal Government and the Federal Congress to step in and see that there is no mass unemployment in this country.

Mr. COCHRAN. I think you should stick to the bill and not to matters that do not have to do with the bill.

Mr. HOFFMAN. What is that?

Mr. COCHRAN. Stick to the bill and not to matters outside its provisions.

Mr. HOFFMAN (interposing). Extraneous; extraneous is the word you are looking for. If you cannot see the elements that go into the making of the bill, that is all right. Could we have just a little more order, Mr. Chairman, if you please? And now, Mr. Witness, a little while ago the chairman made a statement that as he understood the bill it would require the Federal Government to supply these jobs, and Mr. Cochran, if I understood him correctly, challenged that statement; that is, that that was the purpose of the bill. If you will look on page 3, the last two lines of your statement, and the first six words on page 4, I will ask you if you do not see there that the sponsors of this bill place emphasis upon the Federal Government to supply the deficiency in jobs?

Mr. COWAN. Yes, if it becomes necessary, it does.

Mr. HOFFMAN. Then in that statement you say you see a specific creation of responsibility, and it specifically creates and sponsors that very proposition in the bill, because apparently we assume there is going to be a deficiency in the number of jobs needed.

Mr. COWAN. We are hoping that there will not be a deficiency, but we want to be prepared if there should be.

Mr. HOFFMAN. In that statement you see that you have specifically criticized the sponsors of the bill because you say and assume that there is going to be deficiency in the number of people who will have positions.

Mr. COWAN. It is our sincere hope that there will not be any deficiencies in jobs.

Mr. HOFFMAN. Nevertheless you criticize the sponsors of the bill, do you not, because of the emphasis that they put upon the question of a deficiency and intimate that private industry will not be able to supply the jobs?

Mr. COWAN. I do not know what Mr. Murray meant there, but I have my own idea.

Mr. HOFFMAN. What do you get from it when you read it; what is your thought?

Mr. COWAN. I do not believe we are asking the Federal Government to create places, jobs; we are only asking them, if it becomes necessary, to take appropriate steps.

Mr. HOFFMAN. Does it not say something about that in the very next few words?

Mr. COWAN. We want private industry to do what it can, and we believe that private industry can do it if we all work together and cooperate and we put this great industrial machine of ours to work.

Mr. HOFFMAN. In the next sentence there it says, "and they are probably right, if we proceed down the road we have since VE-day." Can you now inform me as to what the signs and the mileposts are down that road so that we can see what you mean there?

Mr. COWAN. I suppose Mr. Murray meant there has not been very much planning done up to this point. That if industry is going to reconvert, they had better get busy.

Mr. HOFFMAN. Do you mean industry has not tried to reconvert?

Mr. COWAN. I would not say they have not tried to, no.

Mr. HOFFMAN. Do you mean they have not in many instances reset up their factories and their machinery and gotten ready to the best of their ability, and gone right at it?

Mr. COWAN. I think that they will have to have another sit-down strike, and it looks to me like they are going to have another sit-down strike, and if they want to get back to reconversion at all, they are doing just about the same as they did before; they refused to convert and produce war materials until the Government, the Federal Government, guaranteed them their profits.

Mr. HOFFMAN. There is no use of making this effort to draw me off of the trail, if you think it will lead me off the direct course, because we go right back to the subject. Do you contend that industry has not made any worth-while efforts to reconvert?

Mr. COWAN. Up to this time not very fully.

Mr. HOFFMAN. Did Ford in Detroit make much of an effort along that line?

Mr. COWAN. Are you bringing someone down in connection with that? If you want me to bring someone down who is familiar with the Ford operations, I will do so. I am not familiar with it personally.

Mr. HOFFMAN. Is it not a fact that Ford was ready to go into production of new automobiles and was not able to do so because of strikes?

Mr. COWAN. As to that I really do not know.

Mr. HOFFMAN. Is there anybody in your organization that would know?

Mr. COWAN. Yes; we will have them here. We will have a representative from the district of Benton Harbor also. He will tell you about the conditions.

Mr. HOFFMAN. Mr. Chairman, in connection with the Benton Harbor matter, I would like to have these advertisements from the Niles Daily Star, Niles, Mich., and the News-Palladium of Benton Harbor, Mich., placed in the record at this point. I will hand the reporter these newspapers, and the advertisements that I would like to have

in the record are those which have been marked with a red check mark. They appear on both sides of the paper, but they can be picked out. (The newspaper advertisements referred to are as follows:)

[From the News-Palladium, Benton Harbor, Mich., September 15, 1945]

WANTED—TRUCK DRIVERS AND HELPERS

Steady employment. Apply at dock office, West Main Street
CONSUMERS COAL CO.

YOUNG MEN WANTED TO WORK IN ENGINEERING DEPARTMENT

Mechanical drawing experience necessary. Excellent opportunity
REMINGTON RAND, INC., BENTON HARBOR

WANTED

Young women to become long distance telephone operators. No experience necessary. Training with pay. Opportunities for advancement

See Mrs. Binger or phone 9950

MICHIGAN BELL TELEPHONE CO.

ATTENTION ALL FORMER PAPER MILL WORKERS!

AND OTHERS SEEKING NEW CONNECTIONS

Watervliet Paper Co., a growing concern where there are no postwar conversion problems offers employment in a stable industry with maximum amount of job security

Common labor rate 81 cents per hour; semiskilled labor rate starting at 86 cents per hour; skilled labor rate up to \$1.23 per hour

WATERVLIET PAPER CO., WATERVLIET, MICH.

MEN WANTED!!

IMMEDIATELY

Skilled woodworkers and laborers

Apply at personnel office

TRUSCOTT BOAT AND DOCK CO., SAINT JOSEPH, MICH.

WANTED—CLERK-TYPISTS

To train for payroll
keypunch operators

AUTO SPECIALTIES MFG. CO.,
St. Joseph, Mich.

MEN WANTED

Apply St. Joseph plant
AUTO SPECIALTIES MFG. CO.,
ST. JOSEPH AND RIVERSIDE

MEN WANTED

Experienced tool and die makers, compositors, platen
or cylinder pressmen, guillotine cutters, die setters,
stockkeepers, packers, expeditors.

PERMANENT POSTWAR JOBS
REMINGTON RAND, INC.

MEN WANTED

Bench, machine, and squeezer molders; core-room help; grinders,
chippers and laborers; oiler and electrician

Apply in person at employment office

COVIL MFG. CO.
BENTON HARBOR

[From the Hartford (Mich.) Day Spring, September 13, 1945]

MAC SIM BAR PAPER CO., OTSEGO, MICH.

MANUFACTURERS OF PAPERBOARD

An essential industry has openings for men either full or part time. No ex-
perience necessary. Excellent working conditions. Ask the man who works there.

APPLY AT SUPERINTENDENT'S OFFICE,
Telephone Kalam: 20 5500 or Otsego 3511
ASK FOR SUPERINTENDENT

MEN WANTED

No experience necessary—Opportunity to advance

Apply St. Joseph plant

AUTO SPECIALTIES MFG. CO.

PLANTS AT ST. JOSEPH AND RIVERSIDE

[From the Niles (Mich.) Daily Star, September 13, 1945]

WE WILL TRAIN MEN FOR STEADY WORK AS—

Shear helpers, brake helpers, furnace helpers, assemblers, special work

We can use experienced men as welders, spot welders, spray painters

Ask a Tyler employee

APPLY TYLER FIXTURE CORP.

PERSONNEL OFFICE, FRONT ST.

**WE WOULD LIKE TO TALK TO YOU ABOUT A STEADY POSITION
WITH US**

We are adding 30 good men to our permanent force. Investigate our work by
calling at our office—ask for Fred Franz, Jr.

FRENCH PAPER CO., NILES, MICH.

WANTED—20 WOMEN, 15 MEN

Steady year-round farm work. Most jobs in air-conditioned mushroom houses, under exceptionally healthful and quiet surroundings. Most jobs light work.

52 weekly pay checks to average \$145 to \$175 a month plus (1) vacations with pay, (2) life, accident, and health insurance, (3) surgical and hospital insurance, (4) pension plan.

No skill is needed. But piece rates enable ambitious men and women to increase basic average pay, or advance to better jobs in an expanding business. Also 5 men and 50 women needed for peach canning through the month of September. Piece rates on pitting are \$35 to \$50 a week and up for fast workers.

MICHIGAN MUSHROOM CO., ESTABLISHED 1919, LARGEST MUSHROOM FARM IN MIDWEST, PHONE 1060

YOUNG MAN

To learn pressman's trade. This is an opportunity to learn valuable vocation. Excellent chance for discharged veteran. Single man preferred.

Apply in person at the

NILES DAILY STAR

CLARK EQUIPMENT CO., BUCHANAN, MICH.

NEEDS MEN IN FORGING DIVISION

Qualifying requirements are weight 150 pounds, read and write, physical examinations. Good working conditions, good pay. Steady work. Apply at local USES office or Clark Equipment Co., Employment Department, Buchanan, Mich.

Mr. HOFFMAN. To return now to the matter of the Ford Motor Co. in which I am particularly interested at this point. What can you tell me about that?

Mr. COWAN. I do not know about the conditions in your district, nor do I know about the conditions that exist in the Detroit district with respect to the Ford Motor Co., but we have people that do and I can bring them here if you wish.

Mr. HOFFMAN. What I am inquiring about is the Ford Motor Co.

Mr. COWAN. And I am telling you I do not know anything about that so I cannot answer you.

Mr. HOFFMAN. You cannot say but that the Ford Motor Co. is one of the great industrial corporations of this country.

Mr. COWAN. Nobody has any question about that.

Mr. HOFFMAN. Ford is an employer of more than 100,000 men?

Mr. COWAN. I have heard it is a hundred thousand men.

Mr. HOFFMAN. Then how can you sit there and tell us that you think industry has been or is about to go on a sit-down strike when in the next breath you admit that you do not know that the Ford Motor Co. is reconverting now and is ready to go into the production of automobiles; do you think that is fair?

Mr. COWAN. I feel that that is what the employers of this country are going to try to do so far as their general employment policies are concerned.

Mr. HOFFMAN. We were speaking about reconversion. You made the broad general statement that employers either were on or were about to have a sit-down strike; did you not?

Mr. COWAN. To me in my own mind I feel that they have not really made an effort to reconvert, a real effort to reconvert.

Mr. HOFFMAN. Do you know anything about the facts as to reconversion connected, for instance, with the Ford Motor Co., with the Chrysler Motor Co., or with General Motors?

Mr. COWAN. No; I am not familiar with that in detail. We will have a representative that can enlighten you on that.

Mr. HOFFMAN. On this same page 4, now, you say:

to convert the United States economy to peace is as big a job as the war. The time has come for all Americans to realize that. Right now there is no sign of such realization.

You go on to say:

Judge Vinson caught a glimpse of it when he, as Director of War Mobilization and Reconversion—

you follow me, do you? Judge Vinson caught a glimpse of it, he caught a clear glimpse of it, and he realized or did he lack a realization of it?

Mr. COWAN. I presume here that Mr. Murray means that Judge Vinson in all probability visualized what would happen in this country.

Mr. HOFFMAN. Did Judge Vinson catch a glimpse of the failure to reconvert when it was his job to be studying these various things, and to see what could be done in connection with them?

Mr. COWAN. I cannot tell you what Judge Vinson had in mind, because I cannot read his mind. I do not know what Mr. Murray was thinking about there, either. I do not know what either one of these gentlemen were thinking about, but apparently there was not sufficient vision in order to be able to set up a straight and definite policy that would do something in the future.

Mr. HOFFMAN. Then you have no idea of what he (Judge Vinson) was referring to in that particular statement?

Mr. COWAN. No; really I do not have any idea as to what he was referring.

Mr. HOFFMAN. Or as to what Mr. Murray was referring there, do you?

Mr. COWAN. Frankly, I do not have any idea as to that either.

Mr. HOFFMAN. Let us see if we can bring this out a little more fully. This statement goes on to say:

In his July 1, 1945 report, he then said: "In 1939, our national output, its highest peacetime level, higher than in 1929, higher than in any previous year of our history, \$89,000,000,000."

You recall that?

Mr. COWAN. That is what Judge Vinson said; yes.

Mr. HOFFMAN. You assume that that is a fairly accurate statement; do you not?

Mr. COWAN. I assume so, if he made the statement. I have not checked it.

Mr. HOFFMAN. So in 1939 we were at the top in our production?

Mr. COWAN. We are not producing to our capacity as a Nation, but that is the peak that we had hit.

Mr. HOFFMAN. That is the highest, he said that was the highest; did he not?

Mr. COWAN. Yes; he said that was the highest.

Mr. HOFFMAN. Over on page 5 we find the statement "There can be no movement" back to normalcy. It goes on to say "normal for 1939 meant at least 8.5 million unemployed." You see that?

Mr. COWAN. Yes; I see that statement.

Mr. HOFFMAN. Do you mean that when we were at the height of our production in 1939 that that was normal but that we cannot, should not go back to that peak of production?

Mr. COWAN. It means that we had that many unemployed people.

Mr. HOFFMAN. Was that normal?

Mr. COWAN. It was normal in 1939 in that it was what was existent at that time.

Mr. HOFFMAN. If we were producing more than we ever had before, how do you account for the 8.5 million unemployed which existed at that time?

Mr. COWAN. I do not believe that we were producing according to our capacity as a Nation.

Mr. HOFFMAN. I was not asking for capacity as a nation; I was talking about total production and unemployment.

Mr. COWAN. We have our rates of pay too low. People did not have enough to purchase the gadgets of industry.

Mr. HOFFMAN. Over on page 1 and in the third paragraph I find these words:

Now in the second week in October reactionary elements in the Congress are becoming bolder every day.

What do you mean by that?

Mr. COWAN. You will have to ask Mr. Murray what he meant by that. I am sure he will be glad to answer your question.

Mr. HOFFMAN. This next sentence, "to put one group of Americans against another," do you believe that?

Mr. COWAN. Yes; I believe that something like that is being done; yes, indeed.

Mr. HOFFMAN. Who is doing it?

Mr. COWAN. The press and other groups.

Mr. HOFFMAN. The press is pretty bad along that line?

Mr. COWAN. Certain parts of the press are pretty bad.

Mr. HOFFMAN. You figure that the press is a sort of disruptive and reactionary force, something which is against what you consider to be the proper interests of this country?

Mr. COWAN. In many instances, some of them are.

Mr. HOFFMAN. Do you mean by that PM and the Daily Worker?

Mr. COWAN. Yes; and the Congressional Record also falls in that class, and it did when you called me a Communist, in the Seventy-eighth Congress.

Mr. HOFFMAN. You did not have a card?

Mr. COWAN. You called me a Communist and you did not even know me.

Mr. HOFFMAN. I do not know you now, except as you appear as a witness.

Mr. COWAN. Well, I am not a Communist, and I never was and never will be.

Mr. HOFFMAN. I am glad to hear you say that, even though you believe in mass picketing.

Mr. COWAN. I believe in mass picketing; there is no connection with the two whatsoever.

Mr. HOFFMAN. Isn't there? That is Communist doctrine, is it not?

Mr. COWAN. No; it is not.

Mr. HOFFMAN. Do not the Communists believe in force?

Mr. COWAN. I am not talking about force. I am talking about mass picketing.

Mr. HOFFMAN. What is the difference between your marching shoulder to shoulder and where they just picket in a general way?

Mr. COWAN. There is a big difference; there is a big difference.

Mr. HOFFMAN. It is merely a difference in degree, is it not?

Mr. COWAN. You ought to go on a picket line somewhere yourself and you would know a little more about it.

Mr. HOFFMAN. It says down here in the fourth paragraph, last sentence, "If enacted into law it will plant our feet in the path to post-war abundance and security." This is referring to the Roosevelt program. Do you subscribe to that?

Mr. COWAN. Yes; I believe in that, and I subscribe to that.

Mr. HOFFMAN. Have you anything that you can offer to substantiate that opinion?

Mr. COWAN. I believe if this bill is enacted into law in its original form it will go a long way toward accomplishing that end.

Mr. HOFFMAN. Have you any figures in mind which would support that statement, before you?

Mr. COWAN. No; I do not have any figures. I do not have any figures that would support that in front of me. We could get them.

Mr. HOFFMAN. Now you say that the number that will be unemployed this winter will be approximately 8,000,000. Where did you get those figures?

Mr. COWAN. Congressman, it is conceded by the people, most every one that has analyzed and is close to the situation.

Mr. HOFFMAN. We have had, now, up to this time, the program of the President.

Mr. COWAN. Yes; there has been nothing done about it, though.

Mr. HOFFMAN. But throughout the last 12 years, have not the ideas of the former President, President Roosevelt, prevailed here pretty thoroughly?

Mr. COWAN. Well, I do not know. I know that we have had a better American life and a better America since 1933 up to this point.

Mr. HOFFMAN. By "better America" you mean better for all the people?

Mr. COWAN. That is true. That is correct.

Mr. HOFFMAN. Then of course the war took many employees off of the rolls.

Mr. COWAN. Yes; many of them were taken away.

Mr. HOFFMAN. So that after this year, including the war, which took 8,000,000 of the established employees, you still have 8,000,000 unemployed, or will have this winter.

Mr. COWAN. Yes; because the Army and Navy canceled their contracts, and they are cutting back, cutting back very rapidly and of course, unexpectedly.

Mr. HOFFMAN. That does not seem to have been a very successful program, all in all?

Mr. COWAN. Well, it was better than under President Hoover, a little bit better anyway.

Mr. HOFFMAN. What do you mean by, over on page 2, down in the third paragraph, when you say that they have the right to useful remunerative jobs? I suppose you mean public works which are a benefit to the public as a whole?

Mr. COWAN. That is right, and to America as a whole.

Mr. HOFFMAN. What do you mean by the next word, "remunerative"; how much does that mean, and how do you determine that?

Mr. COWAN. That means at a rate of pay that will at least give a decent, minimum standard.

Mr. HOFFMAN. That means above \$1,950, and up to \$3,075?

One of the gentlemen was asking here about the ability of the Government to pay this. I believe you said you had no idea and no opinion as to how much the Government could provide to create jobs.

Mr. COWAN. Oh, I do not know; there are ways and means I know. We will leave that to the Ways and Means Committee.

Mr. HOFFMAN. Does it follow that if the Government provides the jobs it will as a matter of course require the fixing of hours and the rate of wage for the employment?

Mr. COWAN. No; I would not say necessarily, not necessarily so.

Mr. HOFFMAN. If that is not so, who is to fix them.

Mr. COWAN. I assume that they would have the right to organization. You would not deny them the right of collective bargaining. I believe that they have collective bargaining in the Tennessee Valley Authority.

Mr. HOFFMAN. Assuming that the 8,000,000 will be unemployed this coming winter, if this plan becomes law, and the Government decided to build a highway, say from here to Philadelphia, which would provide 8,000,000 jobs, now, you say the union would have a right to organize and bargain collectively. Assuming that we cannot agree as to wages, working conditions, or hours, who, then, is to fix the hours and conditions under which this work will be done and compensation paid?

Mr. COWAN. I suppose it would be worked out either by compromise or some other method that you would have for that.

Mr. HOFFMAN. But at the moment we are threatened throughout the Nation with a demand for a so-called 30 percent increase in wages—I am not saying they are not entitled to 30 percent or 50 percent, and many say they will not work unless the increase is granted. If we go ahead and create these 8,000,000 jobs, or whatever number is needed, there must be some final authority empowered to fix wages, hours, and working conditions, must there not?

Mr. COWAN. I think it could be worked out all right.

The CHAIRMAN. There is a law on the statute books which says that the men must be paid according to the prevailing wages.

Mr. HOFFMAN. Suppose that the prevailing wage does not satisfy the unemployed?

Mr. COWAN. Referring to the wage end, keeping them up to the American standard of living.

Mr. HOFFMAN. Do you mean \$3,075?

Mr. COWAN. Where they can educate their children, and clothe and feed and buy them a bottle of milk once in a while.

Mr. HOFFMAN. Do you mean \$3,000 or \$1,950 or \$2,500, or \$2,000?

Mr. COWAN. I am not going to mention any specific figure here for the record.

Mr. HOFFMAN. Do you not see our difficulty? If it is too much of a problem for you—it is a problem that the Congress will have to undertake—but I think we have to recognize certain factors that enter into it, which makes it extremely difficult. And believe me I am frank when I say that to you.

Mr. COWAN. I believe you are sincere, sir, in saying that.

Mr. HOFFMAN. There is no use in creating jobs unless there is some formula, some assurance that the unemployed are willing to go ahead and work, and you say that you do not believe in compulsory arbitration.

Mr. COWAN. I do not believe in compulsory arbitration; no.

Mr. HOFFMAN. And the employers do not believe in compulsory arbitration either.

Mr. COWAN. I do not believe they do.

Mr. HOFFMAN. Where is the power to protect the general public, if we are going to vote this \$24,000,000,000 to create these jobs, and then find these men will not work, where is the safeguard for the taxpayer?

Mr. COWAN. The power of the general public, which would be composed very largely of these millions of men.

Mr. HOFFMAN. I think you are mistaken on your figures.

Mr. COWAN. I do not think so. I think that if you will take those men and their families and relatives you will find they represent a great many people.

Mr. HOFFMAN. Is this going to be fair to the men that work in the factories and at their jobs, when they must pay taxes to support this other program providing work for unemployed?

Mr. COWAN. They are paid 30 cents an hour, they will become a liability and a waste to the Nation.

Mr. HOFFMAN. Where is the money coming from to finance this program, the way it is set up here?

Mr. COWAN. You would have to ask Congressman Rich that.

Mr. HOFFMAN. You can poke fun at that question, nevertheless it is a question which must be answered.

Mr. COWAN. I think we will find the money.

Mr. HOFFMAN. What did you say, Mr. Cowan?

Mr. COWAN. I said, we will find the money.

Mr. HOFFMAN. Do you think we can or should borrow it?

Mr. COWAN. I think that a large part of it should be taken out of profits of the industry. We hear a lot about the matter of equality of sacrifice in this war, and nobody was going to become rich out of it. In the last World War we had 500 multimillionaires, and this time you will have 25,000 multimillionaires who will come up with their funds; and I think it should come out of their funds, because those are funds which represent blood money.

Mr. HOFFMAN. You have not suffered and I have not suffered.

Mr. COWAN. Oh, no, no. Do not say that. I have had a very close relationship to this war. I had five boys overseas. You see, I am just one of the workers.

Mr. HOFFMAN. You and I, we have had that experience, of course, in common with many others.

Mr. COWAN. And one of them will never come back.

Mr. HOFFMAN. That is something which we all regret.

Mr. COWAN. And the other was badly wounded on Guadalcanal, and I still have three boys overseas. I say again, and I say it with emphasis that we have not had equality in sacrifice. These manufacturers have waxed fat, and in safety, and they have not lost anything.

Mr. HOFFMAN. Very well. Is it not a fact that the unions have increased their assets to a very large degree?

Mr. COWAN. I do not think so.

Mr. HOFFMAN. Is it not a fact that one of the unions claimed recently that it had, in fact, the CIO, four and a half million dollars to carry on the fight for the 30-percent increase?

Mr. COWAN. Not the CIO, they never made any such statement as that.

Mr. HOFFMAN. Can you be sure about that?

Mr. COWAN. Perhaps some affiliates of the CIO may have made such an assertion as that, some such statement.

Mr. HOFFMAN. Organizations affiliated with the CIO. Did it ever occur to you that it might be a good thing and a lesson for our employers for the union to establish a factory and give a demonstration as to what wages should be paid in successful factory operation?

Mr. COWAN. It might be better to take over all these plants with the taxpayers' money that built them, and run them.

Mr. HOFFMAN. There is no question but what the CIO has several million dollars, some 4½ million dollars or more.

Mr. COWAN. I do not know what we have, I cannot say.

Mr. HOFFMAN. Would it not be a good thing if they would take over with some of the smaller plants and give us a demonstration of how industry should operate?

Mr. COWAN. I am not in a position to talk about that.

Mr. HOFFMAN. Why not? That is the crux of the whole thing. The unions claim employers are making excessive profits and denying employees just wages—why not give a demonstration of how a factory should be operated?

Mr. COWAN. I think we should stop on and in the field of collective bargaining and not get away from that.

Mr. HOFFMAN. Yet tell the other fellow how to run his business?

Mr. COWAN. No; let the employer run his own business.

Mr. HOFFMAN. And tell the other fellow what he can and cannot do?

Mr. COWAN. But have it on the basis of an equality of operation and the right to say what our working conditions shall be and are.

Mr. HOFFMAN. In the jobs created by others?

Mr. COWAN. That may very well be true. That is true.

Mr. HOFFMAN. Why not sometime create jobs yourself, would that not be fair?

Mr. COWAN. I am not going to argue with you about the union going into the field of management just now.

Mr. HOFFMAN. Some of your strikes, in fact the present strike, by John L. Lewis' union, is based on the claim that the foremen must be organized by the union, is it not?

Mr. COWAN. Oh, yes; I know something about that. I am not familiar with all of the details. But I will not argue with you on that.

Mr. HOFFMAN. Do you not know it is the policy of the CIO to insist that it have a place in management; is that not true?

Mr. COWAN. Well, I think they should be partners. I think they should be partners.

Mr. HOFFMAN. Then you think they should be partners, Mr. Cowan?

Mr. COWAN. Yes; I think since they are offering their whole life to the industry involved, I think that they should have something to say in it. They have their whole life invested in the operation of the plant, and certainly they have a vital interest in it.

Mr. HOFFMAN. Then you think they should have a word in management?

Mr. COWAN. It should be a cooperation. It should be on a cooperative basis; yes; to a large degree.

Mr. HOFFMAN. The demand of the CIO is that it have a word in management; is that not so?

Mr. COWAN. No; I would not say that that is so.

Mr. HOFFMAN. Do you know Mr. Carey?

Mr. COWAN. I know Mr. John L. Lewis very well.

Mr. HOFFMAN. But I am asking you, do you know Mr. Carey?

Mr. COWAN. Yes. I am well acquainted with him.

Mr. HOFFMAN. Do you know that it has now been 5 years since he advocated a program that the unions were entitled to a place in management?

Mr. COWAN. I do not know about that. I do not know about that.

Mr. HOFFMAN. Well, I do, if you do not. That is all.

Mr. GOSSETT. I would like to ask you this question: The time is short, and I will confine my question to one question here.

Mr. COWAN. I would be glad to answer any question you have.

Mr. GOSSETT. Mr. Cowan, in conclusion to Mr. Murray's statement he says, and I am reading the conclusion of Mr. Murray's statement now:

To accomplish this wages must increase, prices and taxes be kept down, and purchasing power be made to circulate at a steady rate and at increasing levels as productivity rises, as it is bound to do, thanks to war-born technology.

As you read that, I was thinking about the demands recently made by the United Automobile Workers, I do not know whether they are justified or not, but it is my understanding that they are asking for a 30-percent increase. It would appear that this 30-percent increase would be something if it were granted, that would have to be added to the cost of the automobiles that would be sold, and they would have to pay for that; is that not so?

Mr. COWAN. Generally, that is so, though I think in the case that these increases are granted, I understand the Automobile Workers Union are in a position to argue, with the facts on their side, that the industry is well able to pay that increase without increasing the price of the product.

Mr. GOSSETT. That is evidently due to the technological improvements in mass production that will make the difference: is that their viewpoint?

Mr. COWAN. That is correct. They have issued a very enlightening pamphlet on that that I would be glad to send copies to you if you wanted one. Do you wish one?

Mr. GOSSETT. Yes; I would be glad if you would send me one.

Mr. COWAN. I will send it to you in a few days. I will see that you get it promptly.

Mr. GOSSETT. If wages should increase to the extent that the prices of commodities would have to increase, prices would go up to that extent?

Mr. COWAN. I suppose but not so much that there would be anything but a very slight increase.

Mr. GOSSETT. What I am worried about is if the cost of automobiles and trucks and tractors and farm machinery go up then the farmers will have to have more for their farm products, their corn, their cotton, and other products of the farm, will they not?

Mr. COWAN. It might be all along the line that they would have a very slight increase, but it would not cause inflation.

Mr. GOSSETT. If it were increased greatly it would cause inflation.

Mr. COWAN. Yes. If it were increased greatly it would cause inflation, but it will not increase that much.

Mr. GOSSETT. Your organization is very much opposed to inflation. I am sure all of us are.

a very slight increase, but it would not cause inflation.

Mr. GOSSETT. But these things have to be kept in bounds or otherwise we will break out with inflation.

Mr. COWAN. There is no question about that, but this will not do it.

Mr. GOSSETT. So we have a real problem before us, do we not?

Mr. COWAN. There is no question but what it is a strong problem.

Mr. BENDER. Have you finished Mr. Gossett?

Mr. GOSSETT. Those are all the questions I have.

The CHAIRMAN. If you have some questions, Mr. Bender, proceed.

Mr. BENDER. This does not advocate Federal employment as a rule, but only as a last resort?

Mr. COWAN. No; not except as a very last resort. we think that private enterprise should be given every encouragement and every opportunity and every possibility to try to provide jobs that will take care of the situation, but I think we should prepare a machine and set it up so that if necessary we can have it all ready to put into effect if the conditions should come about.

Mr. BENDER. That is the only question I have.

The CHAIRMAN. Are you through, Mr. Bender?

Mr. BENDER. Yes, Mr. Chairman; I have nothing further.

Mr. GOSSETT. One other question: Mr. Cowan, if such a bill were passed as this, would you have any objections to amending it, say with some legislation similar to the Ball-Burton-Hatch bill and tack that onto this?

Mr. COWAN. Oh, yes, indeed. Oh, yes. I do not believe in legislation by riders. That is not a fair way to operate in legislation. Let every issue be settled on its merits, and bring each one of these things out and let it be settled, and the people have the right to express their opinions pro and con on that.

Mr. GOSSETT. Do you think that we have any need for any further labor legislation in trying to settle the strikes that are causing such great public interest at the present time?

Mr. COWAN. I do not think that you can settle anything along the lines that deal with humanity, in the human equation interest in that. And there is this proposition, that you cannot force people to do something by law that they do not want to do. I never took a drink in my life until they enacted the eighteenth amendment, and then I went out and bought something to drink, because I did not like the idea of somebody running me around. I think the Smith-Connally Act fell far short of its intents and purposes for that very reason.

Mr. GOSSETT. I agree with you on the Smith-Connally Act. That is all.

The CHAIRMAN. Mr. Resa. I have one question. Mr. Cowan, if there should be 8,000,000 or 9,000,000 Americans with their dependents faced with starvation because they could not find needed employment, and nothing was done about it, how long do you think that this Government would stand?

Mr. COWAN. I do not think it would last very long. There would be a fire started somewhere and pretty quickly.

Mr. BENDER. Mr. Chairman, would it be in order to suspend at this time? It is getting late.

Mr. HOFFMAN. Just a minute, I want to ask another question—will we be back this afternoon?

The CHAIRMAN. We will meet again this afternoon.

Mr. HOFFMAN. Will this witness be back? I have more questions.

The CHAIRMAN. We will meet at 2:15 p. m.

Mr. HOFFMAN. Can you come back this afternoon?

Mr. COWAN. No; I cannot this afternoon, I have another appointment. I will be glad to remain here now as long as you wish.

Mr. HOFFMAN. Your theory of this bill, is that a man has a right to a job; is that correct?

Mr. COWAN. That is right. He has a God-given right in this world to work and earn his living for the people whom he has brought into this world and who he is responsible for bringing into this world.

Mr. HOFFMAN. Does it follow that someone must create that job for him?

Mr. COWAN. I think under our system it provides for private enterprise, and I think that naturally follows as a result of that. Under our system of private enterprise there has to be that responsibility.

Mr. HOFFMAN. And if private enterprise does not create it then the obligation falls on the Federal Government.

Mr. COWAN. The Federal Government is merely the crystallization of that man many times over; therefore I think so.

Mr. HOFFMAN. Are you familiar with the provisions of the Russian constitution?

Mr. COWAN. I do not know about the Russian constitution.

Mr. HOFFMAN. It states that a man shall have the right to be employed and to a job, but it also contains a provision that an obligation is upon the worker to accept the job, and every man shall be paid according to what he produces; do you believe in that?

Mr. COWAN. I think any man ought to produce, the laborer should be worthy of his hire. I do not think they ought to be exploited on the other hand.

Mr. HOFFMAN. In Mr. Henry Wallace's book he says, on page 17, that some men may not be worth 5 cents per hour. Do you agree with that?

Mr. COWAN. No; I do not agree with that.

Mr. HOFFMAN. You go on the theory that every man should be given a job and should be paid a minimum wage fixed by statute?

Mr. COWAN. No; he should perform a decent, honest day's work.

Mr. HOFFMAN. You think he should do something that justifies his payment?

Mr. COWAN. I do not know what Henry Wallace was talking about when he said a man was not worth 5 cents an hour.

Mr. HOFFMAN. "No wage is too high if the worker earns it," said young Mr. Ford, "but 5 cents an hour is too high if the worker does not earn it." Do you agree with that?

Mr. COWAN. No; I do not agree with that, positively.

Mr. HOFFMAN. You think that is an incorrect statement?

Mr. COWAN. I do not know how much young Ford ever earned, if anything, or how hard or how much young Ford ever worked or how much he ever earned in his life.

Mr. HOFFMAN. But you agree with the philosophy that every man is entitled to his job, and even though he cannot earn any part of it, or even earn 5 cents an hour, he should receive a minimum wage?

Mr. COWAN. I think that is a ridiculous proposal there.

Mr. HOFFMAN. We are referring now to these 8,000,000 men, included in them surely will be some like that.

Mr. COWAN. I have great confidence and faith in the American people themselves.

Mr. HOFFMAN. In these 8,000,000 men are you not certain to have some men who cannot actually earn in the value of the things they will produce the minimum wage?

Mr. COWAN. I certainly do not think so.

The CHAIRMAN. The committee will stand in recess until 2:15 p. m. today.

(Whereupon, at 12:30 p. m., the committee recessed until 2:15 p. m. of this same day.)

AFTER RECESS

The committee reassembled at 2:15 p. m., pursuant to recess.

The CHAIRMAN. The committee will come to order. We have with us this afternoon Mr. Lewis G. Hines, national legislative representative of the American Federation of Labor. Mr. Hines, you have a prepared statement that you would like to present?

Mr. HOFFMAN. Before Mr. Hines begins his testimony, Mr. Chairman, at the end of the testimony of Mr. Nathan Cowan, in view of the fact that my protest about the introduction of his statement was, might I say, overruled this morning, I want to put in at this point a news release of the Ohio Chamber of Commerce meeting in Columbus on the 20th day of September; also a bulletin from the Ohio Chamber of Commerce, Bulletin No. 564, issued September 17, 1945, purporting

to have been issued by the Ohio Chamber of Commerce, Columbus, Ohio.

The CHAIRMAN. Without objection, they may be incorporated in the record.

(The documents referred to follow:)

NEWS RELEASE

Ohio Chamber of Commerce, Columbus 15, Ohio

IMMEDIATE RELEASE

COLUMBUS, OHIO, September 20.—The board of directors of the Ohio Chamber of Commerce meeting in Columbus today, declared full employment legislation now being considered by Congress, would kill private competitive enterprise.

The Ohio Chamber favors maximum employment but believes authors of the full-employment bill are perpetrating a fraud upon the country, President A. Graves Williams said.

The purpose of the bill, Mr. Williams said, is to regiment business and establish a planned economy based on a totalitarian state.

The full-employment bill is full of dynamite, he stated, as its enactment would give the Federal Government unlimited control over employment, wages, hours, working conditions, prices, and production.

Mr. Williams said that the board held passage of the legislation would require a continuation of deficit financing and would embroil the United States in international controversies concerning alleged American responsibility for full employment throughout the world.

Meantime, the Ohio Chamber of Commerce in a private bulletin to its members, charged that the "Communist-sparked CIO-PAC aided by its political fellow travelers," is driving to convince the Nation that a national reconversion "crisis" exists.

"The drive is keyed to a fake propaganda front—that there is a reconversion unemployment crisis in America, and that new governmental powers and new deficit zooming billions must be voted by Congress to avert collapse and chaos," the bulletin stated.

Authorized by Executive Vice President Herschel C. Atkinson, the bulletin maintained that while thousands have been laid off at closed war plants, the Nation is in the midst of an acute labor shortage—that manufacturing and service industries and agriculture are desperately in need of new workers by the hundreds of thousands.

"On the basis of the false 'unemployment crisis psychosis,' the greatest propaganda machine of modern times is hammering Washington and the public with distorted facts, phony statistics, trumped-up threats," the bulletin continued.

"The desperate strikes being staged in Detroit are a part of the most daring political frame-up ever staged in America. Government control over business is being made to appear necessary again.

"The basic goal of CIO-PAC," the bulletin stated, "is to overturn our system of competitive private enterprise and substitute for it complete Government control over capital and labor alike. If this scheme is to succeed, they must create new Government agencies through which to work." The Ohio Chamber contends that CIO PAC believes the war-control agencies are going down, "and substitutes must be had if the people are to be enslaved by Government bureaus, which CIO-PAC intends to man and control.

"Keystone of the new group of 'crisis' legislative enactments, devised by the same cunning brains that have guided this boasted bloodless revolution, is the full-employment bill, now being seriously considered in Washington," the bulletin stated. "Labeled in fraud and deception as a bill designed to preserve private enterprise, if enacted it would be the scaffold on which private enterprise would be dropped to its death."

The Ohio Chamber urged its members to combat the "unemployment crisis" by placing the real facts of their employment conditions in the hands of elected public officials and their newspapers.

"This is our only hope for offsetting the columns and columns of false news statements flooded into the papers and radio by skilled PAC and Government bureau propagandists; the best and surest means of protecting elected Government officials with facts to counter irresponsible demands."

PRIVATE BULLETIN TO MEMBERS

Ohio Chamber of Commerce, Columbus, Ohio

Bulletin No. 564, September 17, 1945

HELP EXPOSE FAKE CIO-PAC "UNEMPLOYMENT CRISIS" PROPAGANDA

This is the day, the hour, the minute, for you to take action that will help decide the future of our Nation.

You can't delegate this responsibility. It's yours alone.

A group of powerful, ambitious men, with millions available for propaganda, are making a coldly calculated, desperate effort to create such turmoil and confusion, during our reconversion from war to production, as to bring about still another national "crisis"—and thus clear the way for a continuation of wartime Government controls over business and workers.

The drive is keyed to a fake popaganda front—that there is a reconversion unemployment crisis in America, and that the new governmental powers and new deficit-zooming billions must be voted by Congress to avert collapse and chaos.

The truth is that, instead, the Nation is in the midst of an acute labor shortage. While, for their proof, the "crisis" propagandists point to war-contract terminations and layoffs, manufacturing and service industries—and agriculture—are desperately in need of new workers by the hundreds of thousands.

Industries, the service trades, and agriculture—converting to peacetime operations—are tragically retarded by shortages both of workers and materials.

AGRICULTURE, SERVICE TRADES NEED HELP, TOO

The manufacturing industries never were and are not today the Nation's greatest employers of labor. Forty percent of our normal employment is in the service trades. And the service trades, stripped of their peacetime employees during the war, have not had even the beginnings of an opportunity to put people back to work. Equal in importance with industry as an employer of labor, is agriculture. Nor has the construction industry, due to play a tremendous part in reconversion, been able to scratch the surface of its unlimited backlog.

Factories, department stores, garages, gasoline stations, restaurants, laundries, offices, and shops of every size and kind, need people for jobs; need help to restore the services and courtesies that are the very core of our peacetime living.

On the basis of the false "unemployment crisis psychosis" the greatest propaganda machine of modern times is hammering Washington and the public with distorted facts, phoney statistics, trumped-up threats.

The desperate strikes being staged in Detroit are a part of the most daring political frame-up ever staged in America. Government control over business is being made to appear necessary—again.

The Communist-sparked CIO-PAC, aided by its political fellow travelers, is now making the drive which has been in preparation for years. Everything that has happened up to now has been but a preliminary.

This is the hour, almost the moment, of historic decision. The basic goal of CIO-PAC is to overturn our system of competitive, private enterprise and substitute for it complete Government control over capital and labor alike. If this scheme is to succeed, they must create new Government agencies through which to work. The war control agencies are going down, and substitutes must be had if the people are to be enslaved by Government bureaus, which CIO-PAC intends to man and control.

Keystone of the new group of "crisis" legislative enactments, devised by the same cunning brains that have guided this boasted bloodless revolution, is the full employment bill, now being seriously considered in Washington.

Labeled in fraud and deception as a bill designed to preserve private enterprise, if enacted, it would be the scaffold on which private enterprise would be dropped to its death.

Careful study of the bill shows it would set our National Government upon a wholly new course, its policy to exercise unlimited control over all employment, all production, all markets, wages, hours, working conditions, and prices.

Once the policy is declared the course of control over employment of all of our people by an all-powerful central government would be inexorable.

What can you do about it?

Help shatter the "unemployment crisis" lie upon which the current CIO-PAC legislative drive is based.

How can you proceed?

First, analyze the real employment situation in your own business. Reduce it to specific, exact figures if possible.

Next, place these real facts without delay in the hands of our elected public officials, and the editor of your local newspaper.

This is our only hope for offsetting the columns and columns of false news statements flooded into the papers and radio by skilled PAC and Government bureau propagandists, the best and surest means of protecting elected Government officials with facts to counter irresponsible demands.

Whatever your problem in bringing about a sound, healthy reconversion by the unmatched dynamics of private, competitive enterprise, it is both your privilege and duty to tell the men whom we elect to solve our problems of government.

Tell whom?

President Harry S. Truman, the White House, Washington, D. C.

Senators Robert A. Taft and Harold H. Burton, Senate Office Building, Washington, D. C.

The Congressman from your home district, House Office Building, Washington, D. C.

The editor of your home town newspaper.

GET THE FACTS TO YOUR HOME-TOWN NEWSPAPER

Probably the most important—because newspapers are used as the principal vehicle to influence public opinion—is to get the facts into the hands of your local editor. See him personally, if humanly possible. At very least, talk with him over the telephone.

If at all possible, talk personally with your Senators and your Congressman. You may be surprised to find how glad each of them will be to get such information and your views. At very least, write a personal letter.

Arm them with facts on the true employment situation—that workers and materials are needed to speed reconversion—not Government subsidies, benefits, and controls.

If the CIO-PAC Federal legislative program succeeds, the Government moves in as the new management of your company.

Respectfully submitted.

HERSCHEL C. ATKINSON,
Executive Vice President.

The CHAIRMAN. You may proceed, Mr. Hines.

STATEMENT OF LEWIS G. HINES, NATIONAL LEGISLATIVE REPRESENTATIVE OF THE AMERICAN FEDERATION OF LABOR

Mr. HINES. Mr. Chairman, first of all let me say that I appreciate the opportunity on behalf of the American Federation of Labor to be able to be here today and present the views of that organization, which consists of approximately 7,000,000 members. I would like to preface my remarks, however, with a brief statement relative to the subject matter introduced this morning by Mr. Rich of Pennsylvania. He referred to the fact that he had correspondence in his office which would indicate that in Williamsport, Pa., there are a number of people drawing unemployment compensation who have refused to take employment at wages offered upward to \$1 an hour. I think that in fairness to the people of Williamsport and in fairness to this committee Mr. Rich ought to produce those letters and make them a matter of public record, so we could all analyze them and determine for yourselves the merits contained in them.

Mr. HOFFMAN. Interrupting right there, Mr. Chairman, I have no objection to your statement, and I think it is correct so far, but I do think Mr. Rich ought to be here.

Mr. HINES. I will be very glad to repeat this for his benefit, and in the event that he is not coming, he can read it in the record.

The CHAIRMAN. I don't know about the Pennsylvania laws on unemployment compensation, but in our State, Alabama, a person cannot go on unemployment compensation if he has been certified to jobs paying more than the unemployment insurance.

Mr. HINES. Let me say, Mr. Chairman, that I am very familiar with the law in Pennsylvania, because I administered it for 4 years. During the last administration I was secretary of labor under Arthur James, and to infer that anyone is receiving unemployment compensation illegally is to cast a reflection upon those administering the law in the office in Williamsport, is to cast reflection upon the department of labor and industry, in whom I have the highest confidence; and last, but not least, is to cast reflection on the Governor of Pennsylvania.

Mr. HOFFMAN. Just a minute. I am going to object to any testimony along this line until Mr. Rich gets here, because I know it was not Mr. Rich's idea to cast any reflection on anyone. It is a matter of common knowledge that there are always chiselers seeking to get in on every fund, and while I know nothing about Williamsport, it would be strange indeed if someone there did not attempt to deceive those who have the distribution of this unemployment insurance, and I assume that is what Mr. Rich referred to.

The CHAIRMAN. Suppose we leave that then.

Mr. HINES. I will just say this, that I have no intention to cast reflection on Mr. Rich. I think what he said today he said in all sincerity, but for his own benefit as well as for the benefit of those in Williamsport, and as well for the benefit of the Governor of Pennsylvania, I think he ought to produce those papers so that we can all see for ourselves just what the real facts are.

Mr. HOFFMAN. Didn't you understand from his statement this morning that was just what he offered to do?

Mr. HINES. He offered to take a witness over to his office to show him the papers. I ask that he bring them here before the committee and have them inserted in the record.

Mr. HOFFMAN. I haven't the slightest doubt but what he is willing to do that.

Mr. HINES. I hope he is, because I want to defend the administration of Governor Martin, of Pennsylvania, who, I am quite sure, would not permit such a thing to be done.

Mr. HOFFMAN. I want to know your interpretation of what Mr. Rich said. You are implying that Mr. Rich was criticizing the administration of the law up there. I do not think that was in his mind at all.

Mr. HINES. Well, I don't know how anybody else took it, but I do know that there is a very decided effort on the part of some people to make it appear that there are plenty of jobs and that people refuse to take jobs, and that we have large numbers of people unemployed who refuse to take work at suitable wages, and that instead, as he said today, they prefer to take \$18 a week instead of \$30 or \$35. I want to defend my people, the workers of America. That is not true, and I know it is not true.

Mr. HOFFMAN. Pardon me, but you are not responsible for everything that some group here and there, or some individuals attempt to do, and I don't think there is anyone on this committee who wants to hold you responsible. On the other hand, you do not contend that there are not people in the United States who are accepting unemployment benefits when they could get a job?

Mr. HINES. Congressman, I protest against the effort that is made in some quarters to make it appear that workers would rather receive unemployment compensation than work at a steady job at fair and decent wages, and that is what is trying to be done.

The CHAIRMAN. Now will you proceed with your statement, Mr. Hines?

Mr. HINES. I want to thank you, Mr. Chairman, for the opportunity of defending the administration in Pennsylvania.

Mr. HOFFMAN. Just a minute there—so far as I am concerned I know that no attack was made upon the administration in Pennsylvania, and you are just putting up a straw man to knock down.

Mr. HINES. Well, I am satisfied that if you get the record of these proceedings you can read Mr. Rich's testimony this morning and you can read my statement that I have just made now, and I think I have cleared the administration of any inference that they have been lax in the administration of the unemployment compensation law.

Mr. HOFFMAN. No inference was intended to be made by anybody.

Mr. HINES. Well, you are presumed to speak for him, I suppose?

Mr. HOFFMAN. I presume to speak that far.

Mr. HINES. With your permission, Mr. Chairman, I would like now to go on and state that the most deep-rooted, universally desired objective next to peace itself, which the war has brought forth, is desire for security. Workers want protection against inability to earn a living in a world that underwrites property. Loss of job is a major catastrophe to wage earners. It may mean loss of savings and investments in addition to disorganizing the life of the worker and his dependents. Unemployment leaves deep scars on mind and spirit, a cost which society as well as individuals must pay. Fear of unemployment is never completely absent from the lives of workers. The right of every person able and willing to work, to an opportunity to earn the means to sustain life itself, has become an increasingly compelling ideal as industrial production has come to more dominance in our economy, making unemployment correspondingly serious.

"Full employment" has become a world-wide ideal which peoples of many nations hope to establish and to maintain in the postwar. No one country can do it alone. The United States should lead the way. Its achievement will be the supreme test of our democratic institutions.

H. R. 2202 and S. 380 deal with responsibilities of the Federal Government for promoting "full employment." Its statement of policy setting forth the following purposes, makes a powerful appeal to those who have borne the burdens of unemployment:

1. To foster free competitive enterprise through the investment of private capital in trade and commerce; and

2. To establish the right of all Americans able to work and seeking work, to useful, remunerative, regular, and full-time employment.

The bills direct that the President prepare a National Production and Employment Budget. This budget shall set forth—

1. The estimated size of the work force.
2. The estimated volume of investment and expenditure by private enterprise, consumers, Federal, State, and local governments necessary to produce the gross national product necessary to maintain full employment.
3. The estimated prospective volume of prospective investment and expenditure.

In case the national budget indicates a deficit in the expenditure and investment program, the President is directed to prepare recommendations for encouraging non-Federal investment and expenditure as well as recommendations for legislative plans to overcome the prospective deficit. Such a program may include but need not be limited to—

current and projected Federal policies and activities with reference to banking and currency, monopoly and competition, wages and working conditions, foreign trade and investment, agriculture, taxation, social security, the development of natural resources, and such other matters as may directly or indirectly affect the level of non-Federal investment and expenditure.

The result would be a program of plans and specifications for needed public works for those not employed by private industry. An orderly program of needed public works is an end in itself and a powerful stimulant directly to the construction industry and indirectly to others. The desirability of planned public works to supplement private investment and check trends toward deflation has long been discussed with approval. It was urged during the depression of the thirties. Constructive action on the proposal is overdue.

Planning and timely initiation of public works are essential to "full employment" but do not constitute the main driving power. "Full employment" will come mainly from placing responsibility on private industry and requiring reporting on stewardship. As the right of persons to employment becomes a moral obligation upon those in positions of responsibility, its responsibility can be pressed home.

The initial step in establishing responsibility of private industry is to amend section 4 (c), page 8, line 9, by substituting "shall" for "may".

The CHAIRMAN. Is that in the Senate bill?

Mr. HINES. Yes.

The CHAIRMAN. But not in the House bill?

Mr. HINES. This refers to the Senate bill, but I think the House bill contains the same provision.

The CHAIRMAN. It is not on the same line. That is the reason I asked the question.

Mr. HINES. I will go on further with my statement, Mr. Chairman, and then you can get what we are driving at. The section would then provide for regular consultation between representatives of the functional groups of private enterprise and the President in reviewing current situations and in making plans for "full employment" and would read as follows:

The President shall establish such advisory boards or committees composed of representatives of industry, agriculture, labor, and State and local governments, and others, as he may deem advisable, for the purpose of advising and consulting on methods of achieving the objectives of this Act.

Private enterprise operates within controls which result in expansion when profitable; and contraction, when profits decline. Workers are free to seek suitable employment most advantageous to them and to promote their interests through collective action. Over the years experience has pointed out that the right to carry on business is effective only in an orderly society and consequently entails the obligation to respect the rights of others. We have long discussed the economic and social evils resulting from unemployment and considerable progress has been made in stabilizing some industries. We have accepted the principle of social insurance to provide incomes for workers involuntarily unemployed. But these measures are not adequate to provide "full employment" under the definition proposed. There is needed a new sense of responsibility on the part of private industry and willingness to cooperate to the end that not one able to work and seeking work shall be denied opportunity to earn a living. There must be willingness to get the facts and face the consequences by individual managements as well as industries, so that exercise of the right to do business shall be accompanied by obligation to plan for sustained employment for the work force at levels of pay enabling workers to have rising standards of living. For this purpose we need the basic economic statistics which we have repeatedly asked Congress to authorize.

The national budget which the President would be directed to prepare would aid in pressing home the responsibility of private enterprise and in disclosing next steps.

Unions have their responsibility for leadership in this new endeavor and for getting incorporated into union contracts wage rates and hours standards that would enable workers to have the purchasing power to sustain production at "full employment" levels. To stabilize production at lower levels would lower national income and result in unemployment.

Present-day demand for full employment embodies many of the ideals and desires of the past when we talked of good business, sustained prosperity, our high-wage economy, and so forth, and adds to them the idea of mutual progress, integrated effort, and the desire to banish fear of unemployment.

Unemployment results from many causes. Underinvestment and underconsumption are two important factors. Others, even more difficult to deal with, are unemployment due to technical progress, population changes, great social changes, like changes in transportation, communication, and so forth. We can deal with unemployment due to these causes only by studying the facts of each industry and anticipating forces making for the industrial changes affecting employment. Our dependence for assistance with unemployment due to these causes is planning for the maintenance of scientific research and effective use of new information by industries. The United States now leads the world in making effective industrial use of technical progress.

Steadily rising productivity has always characterized American industry. The genius of American management, combined with the skill and effort of American workers, has given our country leadership over the entire world in production per man-hour. This rising productivity makes our high standards of living possible. American workers earn the high wages they receive.

Labor Department shows how the steady increase in production per man-hour, together with collective bargaining, has made it possible to raise workers' wages, while at the same time prices were reduced and consumers received better quality at lower cost. The Department's figures shows that over the 17 peacetime years, from 1923 to 1940, production per man-hour in American factories rose 83 percent. This astonishing increase provided the income to raise the workers' average hourly earnings 22 percent during this period. At the same time labor costs were reduced by 34 percent. The reduction in labor costs made it possible to reduce wholesale prices of finished manufactured goods 18 percent, so that consumers benefited by lower prices, and a margin was left for profit to American business. Thus, in the period between two wars, workers' increasing productivity benefited workers, consumers, and managements. The decrease in prices was reflected by reduction in living costs generally, and workers as well as others benefited because their increased pay envelopes would buy more. Their real wages increased 49 percent from 1923 to 1940.

Normally, we may expect productivity to increase on the average by about $2\frac{1}{2}$ to 3 percent each year. This has been the rate throughout recent years. During the war, far greater increases in productivity were achieved when management and workers threw all their energies into production improvement to reach Army and Navy schedules. For instance, in the brief period of 11 months, from February to December 1944, the man-hours required to produce a Victory ship were cut in half. An amazing record was achieved by the aircraft industry. From the beginning of the program up to February 1944, time needed to construct military aircraft was reduced 90 percent. In munition industries as a whole, man-hour production increased 47 percent in the 21 months from January 1943 to September 1944.

Startling new techniques of production were developed during the war. Many of these techniques will be adapted to peacetime production and use in civilian industries. Immediately after the war industry will be retooling, replacing worn-out machinery, and incorporating new production methods. These measures will so increase productivity that experts believe the first three postwar years will bring a 30-percent increase in production per man-hour in American factories.

We cannot hope for full employment in the United States unless we plan to direct this dynamic force of increasing productivity so that it will create higher consuming power, higher living standards, and increasing markets for our industries.

Because of increasing productivity and increasing population, America's industries will have to furnish about 1,000,000 new jobs every year to provide full employment. We will have to shorten the workweek to create some of these new jobs. Every year we will have to increase wages so that workers will have enough income to purchase their proportionate share of the increasing goods and services they produce. Increasing workers' income will mean an expanding market for American business, an opportunity for new industries to bring new products and services to the American people. It is vital to remember that workers' buying power forms the great economic base of our home market. People with incomes of less than \$4,000 a year have 70 percent of all consuming power in the United States. It is more profitable for a businessman to sell one suit of clothes to each

47,000,000 low-income people with incomes under \$4,000 a year than to sell 3 suits to each $3\frac{1}{2}$ million people with incomes of more than \$4,000 a year.

A glance at the past shows what this great force of rising productivity can mean to America in terms of a better life. Electric refrigerators which came on the market about 1928 sold for about \$100 apiece. In 1942 a much better refrigerator was selling for \$100 to \$150. Yet workers in the industry had increased their weekly pay substantially in those 14 years. Rising productivity and improved industrial techniques have reduced the price of automobile tires by 75 percent since 1914; and, in addition, today's tire gives 40 times the service of the tire made 30 years ago. Workers in tire factories today receive 300 percent above those of 1914. The 1914 automobile cost \$1,115. Before the war a much better car cost \$738. Yet the average automobile worker who received \$15 for a 51-hour week in 1914 had raised his weekly pay to \$30.50 by 1938 and reduced his hours to 33 per week. Management in these great industries has received its full share of profits.

This increasing productivity has benefited consumers, workers, and businessmen. As we look to the future we know that our main problem will be to raise consumers' buying power so that a mass market may give business its opportunity to go forward and workers may steadily raise their living standards.

Technological progress need not contribute to depressions and unemployment if necessary adjustments are made to bring our economy to balance at higher levels.

We are already utilizing information given us by experiments of chemists to produce substitute materials to overcome handicaps due to natural resources.

We are on the verge of a new era in which we shall apply atomic energy—a revolution that will affect the whole structure of our economy. We shall need every possible protection against unemployment and waste of our human resources. The national production and employment budget proposed by this legislation would provide us with a tool for dealing with some of these future problems. It will give us what Ernest Bevin calls a human budget or a national balance sheet indicating our success in providing useful opportunity for all citizens. But just as cost accounting must be supplemented and interpreted by production accounting, so our national balance sheet must be supplemented by the kind of national plans and policies that will result from consultation and cooperation between Congress, the President, and his administrative officers, and the representatives of the major functional groups of private enterprise.

Full employment involves much more than information and plans for investment and expenditure. There must be equal concern for all that makes for efficient business; progressive management, effective application of engineering experience, informing production accounting coupled with cost accounting, continuous application of results of scientific research, sustained efforts to coordinate the creative ability of the whole work force, constant study of markets, knowledge of the development of competitive materials and components, so as to anticipate and prepare for technical change. These and other considerations are already elements in the field of efficient management. The prob-

lem of achieving high levels of employment with high national income involves more than the development of new machinery; it necessitates the cooperation of all groups for the utilization of experiences and information in order to reach and maintain that objective—with an over-all moral responsibility for all groups concerned.

The driving force for a high wage, high standard of living economy, will come most effectively from the individuals directly concerned—management and unions in a free economy.

The factual data included in the President's national budget on production, employment, labor force, national income and its distribution, investments and its expenditures, will furnish the basis for planning by private industry, but the function of planning must remain the responsibility of management. Management, in turn, should consult with unions on problems of production and has much to gain by establishing and maintaining machinery for union-management cooperation for that purpose. Cooperative relations can rest only on a foundation of collective bargaining, fostered by confidence of access to the machinery for justice. Any effort to restrict or restrain established rights and functions of either management or labor would endanger realization of our objectives.

Plans for full employment should build on the practices, procedures, and methods which have made the United States the world's most powerful Nation economically, with the world's best-paid and most-productive labor force. The basic principles are, as we know, planning and responsibility by individual enterprises, with competition in domestic and foreign markets, collective bargaining between managements and free trade-unions. There must be acceptance of mutual rights with cooperation for mutual progress.

Action on this bill would constitute the initial responsibility of Congress, to be supplemented by other legislation needed to provide a national economic environment favorable to full employment.

There must be guarantees to agriculture to enable the farmers to produce needed amounts of food and to maintain rising levels of living in agricultural communities.

Congress should act to expedite disposition of war surplus goods in ways to promote full employment.

Congress should guarantee a high level of scientific research in the interests of national progress and security.

Congress should raise the minimum rate in the Fair Labor Standards Act.

Congress should institute a national housing program, assuring high and sustained levels of public and private construction so that all citizens may be well housed, with opportunities for home ownership.

Congress should enact legislation to provide for the stimulation of planning and construction of community facilities such as hospitals, health centers, schools, roads, airports, and other improvements.

Congress should promptly enact emergency unemployment compensation legislation requested by the President as necessary to protect workers and maintain national buying power.

Congress should maintain the United States Employment Service at the Federal level to provide for efficient service to workers and industries for the maintenance of full employment.

Congress should enact legislation providing Federal aid for all schools to equalize educational opportunities and services for citizens in all localities and to make such appropriations effective by aid for all children needing it.

Congress should provide a program for the development, conservation, and use of our national resources.

Congress should develop and maintain fiscal and tax policies conducive to full employment.

In our efforts to establish and maintain full employment in this country, we must be aware of the relations of our problems to the same problems in other countries, knowing that the principles of progress at home apply universally. We can have security at home by helping other countries to have security and progress.

To sum up, on behalf of the American Federation of Labor, I ask favorable action on S. 380, with the following amendments:

Page 6, line 13, end the sentence with the words "Applicable laws," deleting the clause authorizing exemptions.

Page 8, line 10, substitute "shall" for "may."

Page 10, line 16, we question the wisdom of authorizing the committee to utilize volunteer and uncompensated services.

We concur in the purpose of the amendments submitted by Senator Morse on behalf of himself, Senators Tobey, Aiken, and Langer to establish and maintain living standards for those engaged in agriculture.

We propose, however, the following definition of "full employment":

Section 10 (a), the term "full employment" means a condition:

(1) In which the number of persons able to work, lacking work, and seeking work shall be approximately equivalent to the number of opportunities for productive employment at suitable work, at not less than the prevailing wage standards and under prevailing working conditions for such work, and not below the minimum standards required by law; and

(2) In which there is no infringement on basic rights constituting economic freedom.

Mr. Chairman, that presents the views of the American Federation of Labor on this matter, and we earnestly request that you give favorable consideration to our point of view.

The CHAIRMAN. Of course, Mr. Hines, we are holding hearings on S. 380 and H. R. 2202. On page 2 of S. 380, line 3, section (b) states:

All Americans able to work and seeking work are entitled to an opportunity for useful, remunerative, regular, and full-time employment, including self-employment in agriculture, commerce, industry, or the professions.

That is one of the so-called watered-down amendments adopted on the Senate floor. Do you have any objection to that amendment in its present form?

Mr. HINES. I don't see how I can object or we can object, because it was accepted by the sponsors of the bill, and I don't care to lay too much stress upon the declaration contained in the bill, because, after all, as has been said on a number of occasions, one Congress cannot bind another Congress to any definite action. If the bill itself embodies the things that we think are necessary to bring about the objectives of the bill or states regarding what are the rights of the workers to employment in the way that it is spelled out here, I don't think it is too important.

The CHAIRMAN. In line 5, after the word "employment" I find the following: "including self-employment in agriculture, commerce, industry, or the professions." I don't understand how that language happens to be in a full employment bill, for as I understand it now there are no laws prohibiting a person working for himself as long as it is not contrary to the public interest.

Mr. HINES. I think perhaps it might be essentially responsive to the legislation to have in mind the possibility of helping people achieve those things. For instance, we have passed a certain type of legislation for the benefit of the veterans, such as helping them to go into business. I don't know just how much further that could be carried out, but that may be what was in the sponsor's mind.

The CHAIRMAN. I am trying to find out what we can do in a full-employment bill where a fellow is already self-employed. Do you mean for him to work a little harder or slow down? What do you mean by that?

Mr. HINES. Well, I note that the House bill differs from the Senate bill with regard to that in that the language is different and it eliminates any reference to self-employment in agriculture, commerce, industry, or the professions, and deals strictly with the right of all Americans able to work and seeking work to have the right to useful, remunerative, regular, and full-time employment, and it is the policy of the United States to assure at all times sufficient employment opportunities to enable all Americans who have finished their schooling and do not have full-time housekeeping responsibilities, freely to exercise this right. I think that is a rather comprehensive statement.

The CHAIRMAN. It is pretty comprehensive. I wonder how we are to determine whether or not a housewife has full-time employment.

Mr. HINES. Well, we are bound to run into a certain amount of ambiguity in any type of legislation or any declaration that we may determine upon, and I think when it comes to defining the act, there will have to be certain interpretations set up which would take care of them.

The CHAIRMAN. You take technological developments now—I see in the newspapers stories about it—where we can remove dust from the room, eliminate a lot of unnecessary steps in the kitchen—I have seen some of those new kitchens and maybe the housewife will get through her work in the morning by 9 o'clock. Under the terms of the House bill I wonder if you would consider her engaged in full-time work in housekeeping—I am just wondering if, under the terms of the House bill she would be entitled to work on these Federal projects, say, after she had completed her housework at 9 o'clock in the morning, if she didn't have any children.

Mr. HINES. Well, we have a pretty fair sample of how that is determined, Mr. Chairman. When an unemployed person applies for unemployment compensation, the laws of the States require that they must first of all be able and willing to work.

The CHAIRMAN. But not for housework. She don't get unemployment compensation unless she has been working on public works.

Mr. HINES. Well, we have instances today where housewives have been working in war industries and have gone back home.

The CHAIRMAN. But I am assuming that she has not been engaged in any kind of work except housekeeping. Suppose she starts her housework at 6:30 in the morning and gets through at 9 o'clock?

Mr. HINES. What I am trying to do is to give you an analogy of the woman today who is entitled to unemployment compensation, providing she does not want to take up her household duties, but wants to engage full time or part time in housekeeping work. I don't presume she would be qualified to receive unemployment compensation, because she would not be able and willing to work at the suitable employment, and I think this lays down this definition, and I point to that as a method that might be applied by the administrators of the act.

The CHAIRMAN. In other words, it would not hurt that paragraph to strike out "housekeeping responsibilities."

Mr. HINES. I don't think so. However, they will be only a minute fraction of the whole number of people affected.

The CHAIRMAN. I am also wondering what you mean—I mean what the sponsors of the bill and those who are supporting it mean by affording "opportunities to enable all Americans who have finished their schooling." What method would you use to determine whether or not a person had finished their schooling?

Mr. HINES. Well, the State laws usually provide the maximum amount of schooling that is necessary before they can go to work. The sponsors may have that in mind. State laws may be applied.

The CHAIRMAN. I don't know of any State law that requires a minimum of educational standards for a person to seek employment.

Mr. HINES. No; but they require a certain age limit to enter industry.

The CHAIRMAN. But some fellow might think he should have a Ph. D. before he concludes his schooling is finished.

Mr. HINES. Yes; it would be interesting to know what the sponsor of this bill had in mind. Have you had him before the committee?

The CHAIRMAN. We have not been able to find out a lot of things about this bill. After this bill becomes law, is it not the belief of the supporters of the bill that the Federal Government will take up the slack of unemployment and provide jobs for all those who are unemployed, who want to work?

Mr. HINES. I don't think that is the proper way to put it. It is not the intent and purpose of the bill to provide jobs.

The CHAIRMAN. The title says "To provide full employment."

Mr. HINES. The Government does not provide the jobs direct. The Government inaugurates a series of public works through private contractors, which in turn will provide jobs. The Government has to spend money, the Government has to build roads, the Government has to build public improvements. We surely need all those things, and the Government at that particular time will either prepare a budget to increase the amount of work which is needed to do that, or decrease it, as the case may be.

The CHAIRMAN. That is what I am driving at. If we find when this program is transmitted to Congress the first year that private investments, and private enterprise, will not furnish jobs for, we will say, 8,000,000 people—the figure that has been submitted by the Director of the Bureau of the Budget and the Director of the Office of War Mobilization and Reconversion—both said 8,000,000 people—then under the terms of the bill it becomes the duty and obligation of the Federal Government to provide jobs for those people. Isn't that your interpretation of the bill?

Mr. HINES. No; it is the obligation of the Federal Government to do a number of things with this commission or committee that is composed of representatives of government, industry, and labor. They can possibly inquire into the need for assisting employers with technical advice, to enable employers to expand their employment facilities. There are any number of ways that it can be done without spending the money of the Federal Government.

The CHAIRMAN. You do not approve of subsidizing industry at the cost of the taxpayers?

Mr. HINES. That is a pretty broad term, Congressman. We subsidize the farmer, we certainly subsidize private industry going to war, and in certain periods we may be justified in subsidizing industry. It all depends. There may be extenuating circumstances that will justify it. Under normal times I don't think it will be necessary.

The CHAIRMAN. Do you think the passage of this bill will mean that every person in the United States able to work, willing to work, and seeking employment will be assured of a job?

Mr. HINES. I am not at all impressed—may I use that term—with the language contained in that paragraph. I think it is merely a declaration of good intentions, and I think we are wasting a lot of time over it, and perhaps we are wasting time of the House discussing the merits of certain phases and certain interpretations. This is merely a statement of good intentions on the part of the Government, and the rest of the bill sets forth the mechanics of carrying out the good intentions.

The CHAIRMAN. But how do the other provisions in the bill carry out those intentions? I don't understand how there is anything in this bill that will do that.

Mr. HINES. Well, for instance, there is the provision that provides for the setting up of a budget by the President.

The CHAIRMAN. He can already do that.

Mr. HINES. To expand public works.

The CHAIRMAN. He can do that now, he is supposed to do that every year.

Mr. HINES. Well, he will have the advice of those that are perhaps the most interested, the management and labor.

The CHAIRMAN. They already do that.

Mr. HINES. I know, but you don't have the cooperative effort to do that, or you have not had it in the past. During the war you did. We demonstrated during the war that cooperation between management and labor contributed greatly to the success of the program in this country. It is pretty hard to envision just what may come out of this thing, but there isn't any doubt in my mind but what we would go a long way toward alleviating our unemployment problem.

The CHAIRMAN. But you do agree that there is nothing in this bill that would give a man a job or assure him of a job?

Mr. HINES. There is nothing in this particular paragraph that will.

The CHAIRMAN. The whole bill?

Mr. HINES. Well, no, I would not say that.

The CHAIRMAN. Really then, I think we should have some information from the supporters of the bill on that question. So far we have not had a man to point out to us where the passage of this bill would

assure a single person a job, unless it was some Government employee. It might increase the number of Government employees.

Mr. HINES. No; not necessarily Government employees. It would provide for appropriations to carry on public works. That certainly would be helpful.

The CHAIRMAN. We are doing that now. There is a bill up today authorizing the construction of airports.

Mr. HINES. But that is more or less contingent upon the whim of Congress or the whim of the President. This specifically directs the President to do these things.

The CHAIRMAN. But after the President transmits the budget, under the provisions of either one of these bills under consideration it is still necessary for legislative committees to pass legislative authorizations for appropriations for specific projects.

Mr. HINES. That is right.

The CHAIRMAN. And then it is still necessary for the Appropriations Committee and the Congress to make the appropriations, the same as we do now.

Mr. HINES. No; there is a difference, Congressman, between the Appropriations Committee under this, or anticipated under this, and the conditions at the present time. You would be under obligation in accordance with this bill to carry out the intent and the purposes of the bill; that is, it requires the President to make recommendations and requires the appropriations as necessary and recommended by the President to relieve unemployment.

The CHAIRMAN. And that is your interpretation?

Mr. HINES. That is my interpretation; yes.

The CHAIRMAN. In other words, you think then that the passage of this bill makes it mandatory for Congress, when the President sends this job budget, to pass legislation?

Mr. HINES. I don't like the term "mandatory." I would rather say Congress is under obligation to carry it on.

The CHAIRMAN. Obligatory?

Mr. HINES. Yes; "obligatory" is probably a better term. At the present time if we have no legislation such as this, and we get an unemployed group of 8,000,000 or more, somebody may submit to Congress a bill to expand our public works, to appropriate money to do it in a certain way, and the title of that bill may read "to relieve unemployment," and that is an individual opinion as to the best way to meet the situation. I don't think it would receive the consideration or merit the consideration that a similar proposition coming as the result of the enactment of this legislation, and coming as a result of the combined meeting of the minds of management, industry, labor, and the officials of the Government, together with the President—something that they worked out would receive more consideration than an individual bill presented to Congress would.

Mr. HOFFMAN. You mean that if I introduced a bill to take up some public work and create some jobs, it would probably be with reference to something in my district, while if we had an over-all program it would have more general support.

Mr. HINES. That is what we call pork barrel, Congressman.

Mr. HOFFMAN. Yes.

Mr. HINES. I don't think you would do that. [Laughter.]

Mr. HOFFMAN. Well, I am subject to many of the frailties of human nature.

Mr. HINES. But you wouldn't do that.

The CHAIRMAN. But you think that this bill would indirectly guarantee every person a job who was seeking a job and could not find a job?

Mr. HINES. This would give every person that sincerely wanted a job confidence that the Government stood behind him, was going to help him.

The CHAIRMAN. If that goal can be obtained under this bill, then one of the things we are disturbed about is where to get the money to finance these public works. Wouldn't it be wise and couldn't it be done without inconvenience to the employers and employees to earmark all the unemployment-compensation funds for the construction of public works projects?

Mr. HINES. I would not approve of that, because it would disturb an institution that we have set up.

The CHAIRMAN. We are going to eliminate unemployment. There will be no need for unemployment compensation after everybody has a job.

Mr. HINES. Don't be too optimistic, Mr. Chairman.

The CHAIRMAN. I have been a little pessimistic in the past and have been criticized for it. I am trying to get optimistic now.

Mr. HINES. Before we contemplate disestablishing the unemployment-compensation system in this country, let us see how this bill works out first. I would not want to by any means consider that at the present time. I am just wondering if you and I could go back about 15 years, when this country was faced with the beginning of a severe depression. I am cognizant of the conditions that existed at that time because I was director of the United States Employment Service in Pennsylvania, and I was intimately in contact with many thousands of people who were seeking employment, people who had no means whatsoever of sustaining life. Their savings were gone, public charity could not begin to cope with the situation, and I remember the debates that took place in Congress over the best means of meeting the situation, many of them contending that it could be best met in the local communities. We found it was a pretty big job after we got into it. I remember a very distinguished statesman standing on the floor of the Senate and using the argument that "We don't need anything like this at all," and I presume that if he were there today, he would take the same position with regard to this, "We don't need it. We can take care of all these things back home. We can fend for ourselves."

When I became Secretary of Labor about 9 years later I found we were paying out in Pennsylvania in relief of all kinds, including unemployment compensation and aid to the blind, \$4,000,000 a week. That was a tremendous amount of money. Now, unless we take this means of trying to stabilize our economic system in this country, I am a little bit afraid we are going to have to go back to something like we encountered before, direct relief, the dole, as they called it. We are trying to stay away from that. We are trying to get through this transition period by setting up the machinery to provide the purchasing power and to provide jobs so the people can buy the things that we

contemplate making in providing these jobs to provide employment for the workers of this country, and I think the thing that ought to be uppermost in our mind is how best to do that. I don't think this is the best answer by any means, but I think it is a very good gesture in that direction. It may work out well, though it may not be the complete answer. I think we are going to face a severe test in the coming year.

The CHAIRMAN. The thing that disturbs me as much as anything else is whether or not our country can continue to go in debt and take on more obligations, take on the obligation of providing employment for 8,000,000 people over and above those already on the Federal pay roll, at what Mr. Cowan said this morning was a living wage, about \$3,075 a year. I am just wondering how we can do that and continue to be considered a solvent Nation and loan money to every other nation in the world.

Mr. HINES. You will have to ask Mr. Cowan for that answer.

The CHAIRMAN. You don't think we should undertake to guarantee all these 8,000,000 people \$3,075 a year?

Mr. HINES. Well, Congressman, you must give me credit for having a little bit of common sense. I am not going to sit here and try to indicate just what the workers should receive. The Department of Labor says they ought to have \$1,800.

The CHAIRMAN. But you don't think the Federal Treasury should guarantee those people that much money?

Mr. HINES. The Department of Labor says they ought to have \$1,800. That is considerably more than the 40-hour week at 65 cents, which we are asking for as a minimum wage will provide. We say that if you pass this legislation it will probably go a long way to meet a very serious condition that we are bound to face in this country. I cannot begin to, I would not attempt to, and I don't believe anybody can begin to tell you how many jobs this will provide, how much wages or anything of the kind, but it will mean that the Government will stand back of the people of this Nation in their effort to find employment. I think they have a right; I think we have a right to ask that. We are the Government. It is our Government. We have a right to combine among ourselves and say "This is the thing we are going to do to try to protect us, the people of this country."

The CHAIRMAN. In other words, you think we should undertake to encourage maximum employment under existing conditions, taking into consideration the condition of our Treasury, the ability of the people to pay the taxes and pay the wages of these people who will be placed on public works projects? Those things you think should be taken into consideration instead of attempting to accomplish the goal of full employment for all those able to work?

Mr. HINES. I am not here speaking for 60,000,000 jobs. I don't know whether it is going to be 60,000,000 or 40,000,000 or 50,000,000, or how many. I don't think we are trying to set goals of the number of jobs. We may not need 60,000,000. Again, within a few generations we may need considerably more than 60,000,000, but we say this legislation is a step in the right direction to try to meet a serious situation that I am afraid we are going to be confronted with.

The CHAIRMAN. If we undertake to guarantee the 8,000,000 unemployed, which you say will be unemployed next year—I understand

that in 1939 we had 9,000,000 unemployed. Isn't that what the Bureau of Labor Statistics shows?

Mr. HINES. Something around there. I know that was used extensively in the last Presidential campaign. I think Mr. Hoffman made a speech to the effect that after the depression had been on for a number of years and we had had the New Deal for a number of years, we still had nearly as many out of employment as we had in the beginning. How was that?

Mr. HOFFMAN. I made a speech——

Mr. HINES (interposing). You gave expression to that sentiment, that we had nearly as many out of employment as we had in the beginning?

Mr. HOFFMAN. This morning?

Mr. HINES. No; in one of your talks on the floor of Congress.

Mr. HOFFMAN. Yes. And the record shows that was the fact. The New Deal did not solve the unemployment question.

Mr. HINES. You referred to the fact that we had as many unemployed after so many years of the New Deal as we had before we started?

Mr. HOFFMAN. Approximately so, or more. And that was true although the New Deal spent billions in boondoggling.

Mr. HINES. That would run about eight or nine million.

Mr. GOSSETT. Could I interrupt you there, Mr. Hines? I think all of us really want to accomplish the same thing. We want a condition in which we have maximum prosperity and in which everybody who wants to work can work at gainful employment.

Mr. HINES. And good living standards.

Mr. GOSSETT. Yes.

Mr. HINES. Access to all these new things that we hope to have as a result of the war, and so forth.

Mr. GOSSETT. But in the last analysis, can you guarantee full employment? Can anyone guarantee full employment without resorting to complete regimentation?

Mr. HINES. May I ask you a question now that I intended to ask the chairman? He asked that same question.

Mr. GOSSETT. I probably cannot answer, but I will try.

Mr. HINES. With regard to the full employment, suppose you pass this legislation, and assuming that you guarantee me a job and I don't get the job, to whom am I going to go to collect?

Mr. GOSSETT. You are going to go to me, I guess.

Mr. HINES. Well, I would just like to know, because the chairman asked that question, if we guarantee a job to everybody.

Mr. GOSSETT. What was your question?

Mr. HINES. I say that if I interpret this to mean that you guarantee me a job—and I don't believe the American people will interpret that way, but were I to interpret it——

Mr. GOSSETT (interposing). You said it was a misprint, didn't you?

Mr. HINES. No; oh, no. I say, if I interpret this language in this bill to mean that you are going to guarantee me a job if I am unemployed, and I don't get the job, to whom am I going to go and who am I going to collect from?

Mr. HOFFMAN. But after that did you say something about a misprint?

Mr. HINES. No; I didn't say "misprint." You were the one that got it that way. You were the one that said that.

Mr. GOSSETT. Well, to get back to the main track, I am concerned with whether or not this method that we are trying to set up here will work. As a matter of fact, we can never attain the goal of full employment. We will always have a number of employable people who would not work if they had a chance, won't we? You are talking about the folks that want to work, not the folks that won't work?

Mr. HINES. Yes. I expect we had better find out what we mean by "full employment." I would interpret "full employment," speaking for the federation, to embrace people able, willing, and anxious to work. We don't mean the fellow who doesn't want to work. That is his business. This is a free country. He can work or not work, as he pleases.

Mr. GOSSETT. I don't think this applies to you, but I think some of the folks who are for this bill would go so far as to deprive your organization of the rights that they have. In other words, in a completely regimented economy organized labor would have no bargaining rights. The Government would tell them what to do, and they would have to do it, wouldn't they?

Mr. HINES. Of course under a regimented economy I don't presume we would have any rights, but we are not going to sit idly by and see a regimented economy come into existence, and we don't believe it will come.

Mr. GOSSETT. Of course the Government is obligated not to permit the people to suffer because of conditions for which they are not to blame.

Mr. HINES. We don't believe that if the terms and purposes of this bill are carried out, by the most vivid stretch of the imagination it could result in regimentation. That is the right of political spellbinders to talk about how the Government is going to regiment us, and so forth, but you and I and anyone who is familiar with this thing would not believe that.

Mr. GOSSETT. Of course, we can't just wave a magic wand and have full employment. If we pass this bill we have got to implement it with other legislation and carry out the special purposes of it.

Mr. HINES. I have said that in my statement.

Mr. GOSSETT. And we are not going to have some gigantic bureau, have men over in your plant where the worker is employed, seeing whether or not you have got as many people working there as you ought to have? All the industries would have to file inventories of their investment, and isn't there danger of just getting balled up here in rules and regulations and red tape and defeating your own purpose?

Mr. HINES. I don't think so, Congressman. I am fully cognizant of the powers of bureaucracy, if that may be the term. I have had a little experience with it. I don't think there is anything in this legislation that would merit any fear on our part that we could encounter any danger from that.

Mr. GOSSETT. I believe the Governor or someone this morning said that we ought to guarantee a national income of around \$200,000,000,000 a year, or some such figure. Now, assuming that private industry, private enterprise in this country, can only produce a national income of \$100,000,000,000 a year, then if the Government had

to resort to deficit spending for the additional \$100,000,000,000 we could not keep that up very long.

Mr. HINES. I think you are right about that.

Mr. GOSSETT. It has got me worried. I just don't see how it can be done.

The CHAIRMAN. Mr. Hines, a moment ago you ask Mr. Gossett a question about if we guaranteed a man a job and then didn't give him that job, where would he go for it?

Mr. HINES. No; I didn't say that. I said if I assumed.

The CHAIRMAN. You assumed; yes.

Mr. HINES. I merely cited that to indicate that—well, I don't believe that I would assume that you or anyone else would assume that this guarantees a job. I don't think anyone would assume that. It merely states that it is the policy of the United States to assure the existence at all times—nothing wrong with that—assure existence at all times, should be the policy.

The CHAIRMAN. Everybody is in favor of full employment. I have heard two or three statements that some people did not believe in full employment, but I think 99.9 percent of the American people are in favor of full employment if possible, but I am just wondering if the people do think that this bill would assure them a job, and if it turns out that they don't get the jobs, won't they think we have been kidding them? And the American people are not dumb. They will find that out.

Mr. HINES. That is why I believe they won't interpret this to mean that they are guaranteed a job by the Government. I don't think anybody can quarrel with the statement that it is the policy of the United States to assure the existence at all times of the opportunity for employment. What is wrong with that?

The CHAIRMAN. Well, we are all in favor of permanent peace, too.

Mr. HINES. What is wrong with that?

Mr. GOSSETT. I don't suppose I am any different from anybody else, and the great stimulus to effort that I have had since I was old enough to work was the fear of dependence. That has been a driving force with me. Now, if I knew that a benevolent government was going to take care of me in the event I could not take care of myself, would I have the same stimulus to work and accomplish that I have otherwise? Isn't the fear of dependency a driving force in American life?

Mr. HINES. Sometimes, and sometimes not.

Mr. GOSSETT. You think it can get to the point where it is a killing force?

Mr. HINES. That is right. Do you interpret this to mean, Congressman, that if this bill is passed, a benevolent government is going to take care of you?

Mr. GOSSETT. It is going to guarantee me a job if I am out of one.

Mr. HINES. It don't say it is going to guarantee you a job or not.

The CHAIRMAN. It assures.

Mr. HINES. It insures at all times full employment opportunities. I think that is a fair statement of it.

The CHAIRMAN. What is the difference between assuring and guaranteeing?

Mr. HINES. Well, the Government will insure to the best of its ability.

Mr. HOFFMAN. No, no. Look at lines 11 and 12, page 3:

it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment.

Mr. HINES. Where is that?

Mr. HOFFMAN. Page 3 of H. R. 2202. There isn't any doubt about it.

Mr. GOSSETT. I want to say that I have gone hungry, too. I have missed as many as two or three meals at a time, and I am not so sure that I was not better off missing a few than knowing that I could go over and get a Government job if I had to have it.

Mr. RESA. Mr. Hines, you have studied this bill. Have you discovered in the bill anything to indicate that the President's employment budget is to be made up on the basis of a survey of the lack of initiative on the part of the workers? Have you discovered in this bill anything to indicate that the policy of this administration will depend upon the indisposition of the people to work or the lack of fear that they will miss a meal?

Mr. HINES. I believe there will be figures available to indicate to a fair degree the percentage of people who desire employment, are anxious for employment, and by the same token there will be sufficient evidence to indicate those who don't want to work.

Mr. RESA. Now, the object of the bill is to provide employment for those who want to work, isn't it?

Mr. HINES. That's right.

Mr. RESA. Then Mr. Gossett's class of people who don't want to work would not create any obligation on the Government, would they?

Mr. HINES. Absolutely none. If he wanted to hang out in a pool room or wanted to go to the race track or wanted to loaf, that would be his business. This is a free country. But if a man wants work and has a family to support he has a right to look to the Government to assist him in every possible way to get that work. I don't think there is anything wrong with that. And when it comes to the time when a man is starving, we have got to find the wherewith to feed him, we have got to clothe him, we have got to supply shelter for him—and we have done it.

Mr. HOFFMAN. What are you going to do with the man that hangs around the pool room and doesn't want to work? He has the right to hang around there.

Mr. HINES. Let him shift for himself.

Mr. HOFFMAN. You are not going to let him starve, you say?

Mr. HINES. If he doesn't want to starve, let him go to work. We are under no obligation to him. Are you going to worry about him, Congressman? I am not.

Mr. HOFFMAN. I don't want him to die on the doorstep.

Mr. HINES. Well, he will probably be around asking for a hand-out or something—"Brother, can you spare a dime?" That will be up to him.

Mr. HOFFMAN. My mother used to, in Cleveland's time, insist that he split the wood before he got his breakfast.

Mr. HINES. That is probably the best way to handle him.

The CHAIRMAN. You say in your statement, Mr. Hines:

Unemployment results from many causes. Underinvestment and underconsumption are two important factors.

Would it not be fair to say that if the investing public makes sacrifices to save a few dollars to get ahead so he can lay aside for a rainy day, and who by his investment gives employment to other people, if he knew that the Federal Government were going to continue to increase its indebtedness, which necessarily means an increase in taxation that would lower the return on the investment that this man had set aside for a rainy day, don't you think that would have a depressing effect on savings?

Mr. HINES. I think he would look at it in this way; he would say:

Unless we provide job opportunities our national income is going to drop, and when our national income drops our taxes drop. When our taxes drop, our national debt looms as a menacing factor, and we had better do something to try to get the national income up in order to get taxes in order to pay the debt and pay the interest on our national debt.

I think that is a very important factor and something that the investing public should be very much concerned about.

The CHAIRMAN. Of course, one of the most important things, to my way of thinking, is purchasing by consumers. Now, you can saturate a market, manufacture more goods than the market can absorb.

Mr. HINES. Well, you might saturate the market because there is underconsumption, because people cannot buy the goods.

Mr. HOFFMAN. No, you can take more apples to town than the people can eat. That is what he means.

Mr. HINES. Not necessarily so.

Mr. HOFFMAN. Well, you had better try it sometime. I have.

Mr. HINES. All right, by the same token you can let the apples remain on the tree, like they have done in many instances, in order not to glut the market, so they can keep the price up. That has been done by these speculators. If you are interested in apples, you know it has been done.

Mr. HOFFMAN. No, I do not.

Mr. HINES. Well, I can tell you that it has been done.

Mr. HOFFMAN. I know times when apples were made into cider and vinegar because there were too many apples for the people to eat, but we used them.

Mr. HINES. There are plenty of instances where the apples remained right on the tree because the speculators had bought them and refused to pick them and put them on the market. And that is not the only commodity that has been handled that way.

The CHAIRMAN. You do know, though, that we have factories now with a capacity for producing more automobiles than the American people can buy in the next 5 years.

Mr. HINES. No, frankly, I don't know that.

The CHAIRMAN. You have heard it, haven't you?

Mr. HINES. No; I have heard that probably I am going to wait 5 years before I can get a new automobile.

The CHAIRMAN. Mr. Hoffman made some remarks about that the other day.

Mr. HINES. I am very glad to know that Mr. Hoffman is so optimistic that I won't have to wait 5 years.

Mr. HOFFMAN. Wait for what?

Mr. HINES. The Chairman said that you made that statement the

other day that we are going to produce more automobiles than we can use.

The CHAIRMAN. No; I didn't say he made that statement. I think he made some statement about the automobile situation yesterday.

Mr. HINES. That would indicate that?

The CHAIRMAN. No; that certain labor unrest—

Mr. HINES (interposing). You asked me if I knew that the automobile industry was going to saturate the market, or words to that effect, within the next 5 years.

The CHAIRMAN. No; I said you misunderstood me.

Mr. HINES. Then suppose you tell us what you said.

The CHAIRMAN. Here is what I said: They have the capacity to produce now, at present capacity, with everybody working, to produce 10,000,000 automobiles a year. With our present economy, of course, we can absorb 20,000,000 automobiles in 2 years, but at the end of that 2-year period we could not absorb 10,000,000 cars a year. Would it not be necessary, in order to assure full employment for everybody, to place a ceiling on all industries in order not to produce more than the market can absorb?

Mr. HINES. Congressman, I don't know as I care to get into a discussion of that, because, after all, if you want to develop that question you ought to get a couple of people from the automobile industry on either side, management and labor—that is part of your full-employment program—and they could probably determine to what extent the automobile industry could saturate the market, how long it would take.

The CHAIRMAN. I am using the automobile industry because that is one that everybody knows something about.

Mr. HOFFMAN. If the Chairman will yield right there, on page 6 and over on page 7:

the President shall set forth in such budget a general program for preventing inflationary economic dislocations, or diminishing the aggregate volume of investment and expenditures to the level required to assure full-employment volume of production, or both.

I understand from this bill that he is not only to boost production as occasion arises, but he is also to place a ceiling on production. That is the theory of the bill. Isn't that a fair interpretation of the bill?

Mr. HINES. I don't think so. I think the bill provides, in the first place, that there shall be a commission set up comprising representatives of industry, labor, and government.

The CHAIRMAN. The Senate bill does not have that provision in it.

Mr. HINES. Well, we are advocating that.

The CHAIRMAN. We are hearing both of them.

Mr. HINES. We are advocating that, and I have set forth here in my statement what we suggest in that connection, and I think that out of the combined knowledge of all these groups a program can be worked out which will not provide for inflation but will provide for putting the brake on if we are going to put too much on the market at one time, and shift that over to something else.

Mr. HOFFMAN. You say a shift to something else should provide work?

Mr. HINES. Could provide.

Mr. HOFFMAN. Should it?

Mr. HINES. It could provide.

Mr. HOFFMAN. I say, "Should it?"

Mr. HINES. No; I said it could.

The CHAIRMAN. Under this bill? Under this bill you mean it could do that?

Mr. HINES. I say it could, with the suggestion that we have put forth here that the President—

The CHAIRMAN (interposing). Would it not also be necessary, in order to prevent dislocation, to freeze labor in its present places—in other words, prohibit the migration of labor?

Mr. HINES. No; I don't think so.

The CHAIRMAN. It could be possible?

Mr. HINES. Well, we don't favor anything like that, Congressman, and we would not be here advocating the passage of this legislation if we thought it would do that.

Mr. GOSSETT. What I am afraid of is that if we enact this bill and then carried it out—and we would not enact it without carrying it out—we don't want to kid anybody about that—that we would have to return to WPB, OPA, ODT, NLRB, and all of our war agencies, and maybe a few more added on.

Mr. HINES. I think you are a little to apprehensive there. I don't think we would. We certainly don't want to retain any more bureaus than are necessary. Of course, we favor retention of the OPA at the present time. We think that with all its faults OPA has done a magnificent job.

Mr. GOSSETT. I think we have got to have it for a while, but I hope we don't have to keep it permanently.

Mr. HINES. We will have to have it during the transition period, until we get down to the point where there is a more adequate supply of goods on the market. I certainly would be against taking the lid off right now and having a wild scramble and let them charge all the traffic would bear. That would work a hardship on our people, and God knows we are in bad enough shape as it is now, with reduction in take-home pay and with the 20 percent tax and all of the other things that we have been confronted with, and our wages frozen. Then, when we go out and ask for a little relief, we are condemned in the newspapers and by everybody in public life pretty nearly because we get a little restless.

The CHAIRMAN. You are in almost as hard a place as Members of Congress.

Mr. HINES. Yes, sir.

Mr. GOSSETT. The grass is always greener on the other side of the hill, Mr. Hines. You ought to follow me around in the farming sections in my district and hear the farmers talk about some of their troubles.

Mr. HINES. The funny thing is the farmer wants the worker to have more money so he can buy more of the things that the farmer produces. Then when the worker goes out and tries to get more money by using his mobilized atomic strength, we find that in some instances the farmers are against the worker.

Mr. GOSSETT. He doesn't want to pay more for his tractor and his automobile and his farm machinery. That is what he is griping about.

Mr. HINES. But he would like to have the worker have more money

in his pocket so he can buy the things that the farmer produces. We are in favor of the farmer getting everything he can, because we have everything in common with the farmer. There is no difference between the industrial worker and the farmer. The farmer needs the money to spend as much as we do. He needs the goods things of life, and we want to see him get them, and we don't want to be fighting with him. We hope he won't fight with us. We wish the people would not try to drive a wedge between the farmer and the worker, because, after all, we have very much in common. We have everything in common, in fact.

Mr. HOFFMAN. Is it correct to assume that this bill, in your judgment, is just an outline of a way to plan to meet unemployment and future depressions?

Mr. HINES. I didn't get that, Congressman.

Mr. HOFFMAN. Read it to him.

(The reporter read the record as follows:)

Is it correct to assume that this bill, in your judgment, is just an outline of a way to plan to meet the unemployment and future depressions?

Mr. HINES. I don't know what you mean by "just an outline." I will say it is an outline.

Mr. HOFFMAN. Leave out the word "just."

Mr. HINES. It is an outline; yes.

Mr. HOFFMAN. Then is it correct to say we may assume that in your judgment it does not promise anyone a job?

Mr. HINES. No; I don't think it promises definitely—promises anyone a job.

Mr. HOFFMAN. I asked those two questions because so many communications come to the offices of the Congressmen, asking us to support the legislation which will give the writer and others situated as he thinks he is a job. That is my only purpose in asking those questions.

Mr. HINES. Let me qualify that answer by saying that it does not promise anyone a job. It assures him of the opportunity. The object is to assure the existence at all times of sufficient employment. I think that is a very fair statement, and the people of this country to expect that of their Government.

Mr. HOFFMAN. Do you mean that this bill assures the people generally that if we have unemployment there will be a job available for them?

Mr. HINES. The bill does not say that. I can't assure it if the bill doesn't say it.

Mr. HOFFMAN. The bill says—and I am reading from page 3:

To the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment.

What do you understand that to mean?

Mr. HINES. That means that is the responsibility of the Federal Government to supplement the efforts of free enterprise.

Mr. HOFFMAN. To what extent?

Mr. HINES. To provide, just as it says, to prove such volume of Federal expenditures that may be needed to assure continuing full employment.

Mr. HOFFMAN. That is, every individual shall be assured a job? Is that right?

Mr. HINES. It doesn't say anything about an individual being assured anything. It doesn't get down to the individual. It speaks of full employment in general terms.

Mr. HOFFMAN. Of course, the only object in providing full employment is so that the individual may have a job, isn't it? Let us not argue. I have no quarrel with you at all, nor with your organization.

Mr. HINES. Let me just say this, I don't believe that any of us are naive enough to believe that the American people are going to assume that the Federal Government is going to say to every individual "We are going to guarantee you a job." I don't think they would expect you or many men in public life to pass that kind of legislation.

Mr. HOFFMAN. But it is your understanding, is it not, that the purpose of this bill is to declare it to be the policy of the Federal Government to assure the mass of unemployed that the Government will provide employment for them?

Mr. HINES. Again I would want you to indicate or distinguish who it says it to. It merely says:

to assure the existence at all times of sufficient employment opportunities to enable Americans who have finished their schooling and who do not have full-time house-keeping responsibilities freely to exercise this right.

Mr. HOFFMAN. Then, other than providing for a plan which can be used in periods of unemployment to take up the slack, what does the bill do?

Mr. HINES. It doesn't do anything. It provides for a plan to do that. The bill doesn't guarantee any jobs or anything of the sort. It provides for a plan that will assure full employment—to try to assure full employment.

Mr. HOFFMAN. The term "purchasing power" has been used here repeatedly. You do not mean, do you, by "purchasing power" merely the possession of money, or do you?

Mr. HINES. Well, it is generally assumed that under our monetary system the purchasing power consists of money. There may be some isolated instances where people engage in barter, but what is money if it is not purchasing power? What else could we have besides money for purchasing power?

Mr. GOSSETT. I have got to go, Mr. Chairman, but I would like to ask just one more question.

Mr. Hines, to the extent that this bill would give—would this bill give labor any additional rights or any protection that they do not already have?

Mr. HINES. I don't believe so.

Mr. GOSSETT. If it did, then we ought to place further responsibility on labor—not speaking of organized labor essentially, but all labor—if we guarantee a man a job we ought to require him to perform under that job, should we not?

Mr. HINES. No; I don't believe so. I don't believe the bill guarantees anything. I don't believe it guarantees a job—and again, we are heading into that question of regimentation, and I don't think we can favor such a bill as that.

Mr. GOSSETT. How can the Government begin to assure—we will

use the word "assure" instead of "guarantee"—full employment without getting into regimentation?

Mr. HINES. Well, the Government for nearly 7 or 8 years assured employment through public works and through the Works Progress Administration, and in other ways, and I don't think the people were regimented under that system.

Mr. GOSSETT. This may be a little complicated, but the recent strike in that wheel works out in the Middle West—Kelsey-Hayes—that originally affected only, I think, about 3,000 people in that particular plant, but that resulted in closing down another one of the Ford plants employing 60,000 workers. That resulted in shutting down temporarily thousands of retail dealers over the country. If carried to the logical extreme and persisted in, it would have deprived farmers and merchants of automobiles and tractors, and that would have destroyed job opportunities. If long continued, a strike of that kind would deprive thousands and thousands of people of employment. So, if we are going into the business of full employment, wouldn't it be logical and reasonable to offer an amendment to this bill, for example, some legislation similar to the Ball-Burton-Hatch bill, to require compulsory arbitration and require unions to incorporate and be responsible for their acts, and require obligations from those to whom we extend these privileges?

Mr. HINES. Congressman, would you take a little suggestion from me? I think I am qualified to talk on labor relations. I have engaged in mediation work for upwards of 12 or 14 years. I have been a member of my union for nearly 35 years. I have been an international representative and business agent of my local union. I know something about industrial relations. I know something about employers' problems, and I have a very high regard for the employer's point of view many times. Let me say to you that you cannot legislate industrial relations. You cannot compel people to arbitrate.

Mr. GOSSETT. Why not?

Mr. HINES. It would not work out. It just simply would not work out, and when the time comes we will have something to say about the Ball-Hatch-Burton bill, which I think will prove very interesting. But to answer your question, we are absolutely opposed to compulsory arbitration, because it would not work. Conciliation, mediation, is the only thing that will work in industrial disputes. You cannot legislate them.

Mr. GOSSETT. I am inclined to think you have got something there, and it seems to me that if we are going into the matter of attempting to legislate full employment, we have also got to go into that correlative matter, auxiliary matter, of labor relations.

Mr. HINES. I don't see why we have to at all. I don't see why we have to. I don't think there is any relation between the two. If you can give me a case in point I would be very glad to hear it.

Mr. GOSSETT. A case in point is the Kelsey-Hayes case. That is what I am talking about. If we go on record now, and we have got a bill in which we seek to guarantee full employment, and here is a strike that is creating unemployment, resulting in the unemployment of thousands and thousands of persons, and why would it not be the duty and the responsibility of government to go in there and deal with that situation?

Mr. HINES. Well, you haven't got unemployment there in the sense that you are trying to deal with through this legislation. What you have got is temporary unemployment due to adjustment of a dispute. Every single person affected by that dispute anticipates going back to his job, and anticipates going back in a very short time. Now, if there was a prolonged lay-off, there isn't any question but what there would be a shift in those workers to other activities.

Mr. GOSSETT. Let us assume now that we enact this bill into law and the Government accepted the responsibility of full employment, and the Government did not choose to or had no right to exercise any sort of compulsion in the Kelsey-Hayes case or any of the other big industries which are closed down, then the Government would have to take and provide in some way for those who were thrown out of employment as a result of that strike, wouldn't they?

Mr. HINES. Not necessarily. There are provisions made at the present time under your unemployment-compensation laws that provide for the workers to receive unemployment compensation under certain circumstances, depending upon what those circumstances are.

Mr. HOFFMAN. But that unemployment compensation comes to an end after a while.

Mr. GOSSETT. I am afraid I am getting into a vicious circle here. The further we go the more complications arise in this matter of trying to assure full employment.

Mr. HINES. I think your fears are groundless. I think you had better start worrying about what is going to happen if we didn't have something like this and if we go into another very serious depression.

Mr. GOSSETT. Do you think this bill would be an encouragement or discouragement of strikes in industry?

Mr. HINES. I will answer that by saying that many years ago when labor proposed workmen's compensation laws we were confronted with the argument that people would stick their hands in the machinery and get their fingers and hands cut off in order to draw workmen's compensation. That has just about as much merit as the argument advanced that this would be an encouragement to go on strike, which of course it would not.

Mr. GOSSETT. Well, instead of dealing with the problem in this way, why not just extend social security and unemployment compensation?

Mr. HINES. We have asked you to increase unemployment compensation to a maximum of \$25.

Mr. GOSSETT. You are speaking about vertically; I am talking about horizontally. Why not extend it horizontally instead of vertically?

Mr. HINES. We have asked you to extend the coverage to take in those with one employee or more, and to take in various other groups that are not now covered. I certainly believe that you owe something to the employees of the Federal Government who are not covered by unemployment compensation, and I think you ought to take that very seriously, because after all—

Mr. GOSSETT (interposing). What about the 20,000,000 white-collar workers?

Mr. HINES. They should be covered, but of course again when you

come to school teachers and others you have stepped into the province of the States, and you can't compel States or municipal subdivisions in the State to accept unemployment compensation. We believe that should be covered.

Mr. HOFFMAN. Why not Congressmen when they are defeated? [Laughter.]

Mr. HINES. I believe they should be covered also.

Mr. GIBSON. You believe that the Government ought to be a Santa Claus and take care of all of them?

Mr. HINES. I don't get that, Congressman.

Mr. GIBSON. You think the Government ought to be a Santa Claus and just take care of all of them.

Mr. HINES. Well, no; I don't think so. I think that the Government has certain responsibilities, and if they meet that, they will be doing all right.

Mr. HOFFMAN. Let me take on where Mr. Gossett left off. Talking about the unemployment situation in Michigan, you said that the unemployment benefits would assist those people; but, of course, after a while there will be an end to that; that is to say, the limit expires; they can no longer draw unemployment compensation. Then would you have the Federal Government provide jobs for those people who are out of employment because of those strikes?

Mr. HINES. You pay \$20 for 20 weeks in Michigan.

Mr. HOFFMAN. I didn't ask you anything about that. Let us, you and I get along now. I haven't any quarrel with you.

Mr. HINES. I want to answer your question. You say when the expiration of this time comes. We are advocating that it be extended at least 6 weeks, to 26 weeks in any 1 year.

Mr. HOFFMAN. Extended 6 weeks, then. When the 26 weeks have expired, would you have the Federal Government provide a job?

Mr. HINES. Why not? I don't see anything wrong with that.

Mr. HOFFMAN. I didn't ask you why not.

Mr. HINES. I would have the terms of this bill applicable to the individual who was unemployed and willing to work. If he falls within that category, why not?

Mr. HOFFMAN. So we may say that you advocate that the Federal Government should provide jobs for those who want to work and who are thrown out of employment by strikes similar to that at Kelsey-Hayes?

Mr. HINES. I don't say that the Federal Government should provide a job for anybody.

Mr. HOFFMAN. Then what do you say?

Mr. HINES. I say that the Federal Government has an obligation under this bill to do certain things, and the Federal Government ought to meet that obligation. And that does not necessarily mean providing a job for the Kelsey-Hayes people or anybody else.

Mr. HOFFMAN. What is the obligation of the Federal Government under this bill?

Mr. HINES. To have the President set a budget and refer it to Congress to provide public works so that opportunities for employment will be available.

Mr. HOFFMAN. So that opportunities for employment will be available? Is that right?

Mr. HINES. That is right.

Mr. HOFFMAN. Then if the employees in Detroit are thrown out of work and they have exhausted their 20 weeks and the 6 weeks which you would add, if they have exhausted those payments they can go on to a job provided by the Federal Government?

Mr. HINES. If the worker in Detroit, or the worker anywhere, has drawn all the compensation to which he was entitled under the terms of the law in his respective State, he would fall into the category of workers who were entitled to consideration as a result of this legislation.

Mr. HOFFMAN. For whom?

Mr. HINES. Why not?

Mr. HOFFMAN. I didn't ask you why not. I am just asking you if that is your opinion?

Mr. HINES. I don't get your point.

Mr. HOFFMAN. We are not going to get anywhere this way.

Mr. HINES. If you would be a little more explicit.

Mr. HOFFMAN. I try to make my questions courteous and short and clear.

Mr. HINES. I want to be very courteous with you.

Mr. HOFFMAN. I am not asking you why not, because I am not interested in why not.

Mr. HINES. I don't see that there is any point in raising a question of courtesy. What we are trying to do is to have a meeting of the minds here. We are talking this over in a general way to try to arrive at the most information possible.

Mr. HOFFMAN. Then why not answer the question when I ask one?

Mr. HINES. I don't get the point.

Mr. HOFFMAN. The point is this: Whether or not you advocate a policy under which the Federal Government, after a worker has been out of work and has exhausted the period for which unemployment benefits are paid, should then receive or have the opportunity to go to work on a Federal job paid for by the Federal Government?

Mr. HINES. The worker should have the opportunity before his unemployment compensation expires. He should have the opportunity when he is unemployed, regardless of whether he is entitled to unemployment compensation or not.

Mr. HOFFMAN. Now, read the question. I didn't say anything about that. My question was, assuming that he has had the 26 weeks' compensation that you advocate at \$25 a week; that time has elapsed, gone by; he has had his money and here he is without a job, thrown out of a job because of a strike over there. Now, should the Federal Government provide him an opportunity for employment?

Mr. HINES. He is entitled to the same consideration as anyone else.

Mr. HOFFMAN. And does that hold true even though the unemployed and the striker belong to the same union?

Mr. HINES. I don't know what the union has to do with it at all.

Mr. HOFFMAN. Well, one union, we will say, goes on strike and shuts down plant A, which supplies plant B, and in plant B thousands of workers belonging to the same union which called the strike are out of jobs. Now, are the workers in plant B to profit because of the misdeeds of those over in plant A who belong to the same union and who caused this unemployment?

Mr. HINES. I don't know what the union affiliation of the individuals has to do with it at all. I don't think it has any bearing.

Mr. HOFFMAN. Well, may I assume that you are talking with authority from the A. F. of L.?

Mr. HINES. I am the legislative representative of the A. F. of L. I would not be here if I did not have full authority to talk.

Mr. HOFFMAN. And you are expressing the views of the A. F. of L.?

Mr. HINES. I hope I do. I assume I do.

Mr. HOFFMAN. Well, if you do not express them, you do not have anybody who is able to express them, do you?

Mr. HINES. No. You have got the right man when you got me here, Congressman.

Mr. HOFFMAN. Then here in California, for example, we have two unions, both affiliated with the A. F. of L., if the newspapers are correct. That strike grows out of the grievance of some 77 workers, and the trouble arises because within the A. F. of L. one affiliate wants them to belong to that union, another one wants them to belong to another union. That is correct so far, isn't it? You understand that?

Mr. HINES. Right.

Mr. HOFFMAN. Now, here is that group of people who cannot go to work in Warner Bros.

Mr. HINES. I guess several of them.

Mr. HOFFMAN. Call them anything. We will call them Warner Bros. to start with. They can't go to work. Their jobs are there. Warner Bros. provides the jobs. The jobs are available, but an affiliate of your organization and of their union through a mass picket line prevents them going to work. Now, should the Federal Government provide them with jobs, these workers in another place?

Mr. HINES. I don't think that is a very appropriate analogy at all, because I don't think it would be necessary for the Federal Government under those circumstances at any time to do anything. That is a temporary situation that will be cleared up eventually, and I don't think the time will ever come when the Federal Government would have to provide employment for those people unless they are going to quit the industry entirely, walk away from it.

Mr. HOFFMAN. How long has that strike been continuing?

Mr. HINES. I don't know. That is a family matter.

Mr. HOFFMAN. Can you give us a guess?

Mr. HINES. Maybe 6 or 7 weeks—one of those family affairs that occurs in the best of families. We have our little family fights.

Mr. GIBSON. It has been a pretty long fight for a family affair.

Mr. HINES. I don't know if we had fights lasting as long as that. I belong to an organization, Congressman, that they call the "Fighting metal polishers." Someone asked our president one time why they called us that, and someone said it was because we fight among ourselves in order to fight the boss. We have been fighting among ourselves for a good many years.

Mr. HOFFMAN. Going back to my question, you believe it is the duty of the Federal Government to provide other jobs for those people at Warner Bros. who want to work and are prevented from working by another union?

Mr. HINES. I believe these people that are temporarily unemployed, if they left the industry and sought employment elsewhere, they are

entitled to all the benefits under this bill. If they sever their connections with the industry, they should be assured an opportunity to work. I don't believe there would be any effort to place them at work to begin with. I don't believe any of those workers have applied to the United States Employment Service.

Mr. HOFFMAN. If they had, and the Government gave them a job, the Government would be strike breaking, would it not?

Mr. HINES. Not necessarily, if they apply to the United States Employment Service. The United States Employment Service, of course, is prohibited from supplying plants with workers engaged in strike-breaking or employed by any company that is engaged in a strike. That is Federal law. So they would get them a job some other place.

Mr. HOFFMAN. So the Government would be obligated to get them a job some place else at Government expense, even though an affiliate of your A. F. of L. was keeping them from work? Is that right?

Mr. HINES. No; that is not right at all.

Mr. HOFFMAN. What is right, then?

Mr. HINES. You are kind of stretching the thing pretty far there, Congressman.

Mr. HOFFMAN. No; those are the facts.

Mr. HINES. They are not the facts at all.

Mr. HOFFMAN. Let us start over again, then. Here is a strike at Warner Bros. One group wants to go into the factory to work. Another group belonging to the AFL, the same as the first group, prevents the first group from going into the factory, and you say that the Federal Government should provide that group with an opportunity to work?

Mr. HINES. I didn't say that at all. I said that there is temporary unemployment. They are temporarily unemployed, and the chances are very remote that any of these people involved in this situation will ever desire to even register with the United States Employment Service for work elsewhere. They are anticipating a settlement. Perhaps they are too busy carrying on the strike on both sides to think about taking a job some place else. And they anticipate a settlement of the dispute. If and when they quit the industry and they go and apply for a job with the United States Employment Service, and if the United States Employment Service can find them a job elsewhere in some other line of work that they are capable of performing, under the terms of this bill to provide available employment they certainly are entitled to employment. That is a different proposition entirely from saying that the Government is obliged to get them jobs because they can't go to work, because another union is keeping them out on account of the picket line.

Mr. HOFFMAN. Now, it is obvious that those who are unemployed and who want to work at Warner Bros., cannot continue to be unemployed indefinitely, isn't it?

Mr. HINES. Well, we don't assume that that situation will continue indefinitely.

Mr. HOFFMAN. I understand you don't assume it, but I say it is obvious they cannot continue indefinitely.

Mr. HINES. My experience with strikes is that they do not continue indefinitely.

Mr. HOFFMAN. How long do you think it should continue before jobs should be furnished by the Government?

Mr. HINES. I would not care to set a time limit.

Mr. HOFFMAN. You said—don't get impatient—you said it was temporary. How long do you think temporary should be?

Mr. HINES. I don't think I am competent or that anybody else is competent to give you a set time limit when a strike could be or should be settled, or would be settled.

Mr. HOFFMAN. Are you competent to give us an estimate on how long a man should be out of employment because of a strike before the Federal Government should assist him in getting him an opportunity to work?

Mr. HINES. The man had a perfect right, if he so desires, to relinquish his claim to employment in the plant and seek work elsewhere. But remember, none of those people are unemployed in the strict sense. They are still employees of Warner Bros., out on strike. A man does not relinquish his right to his job because he goes on strike, nor does he relinquish his right to the job because he is kept out of the plant on account of a picket line. He still has a job. That is his job. He is not unemployed in the strict sense of the word.

Mr. HOFFMAN. You say that is his job?

Mr. HINES. Absolutely, it is his job.

Mr. HOFFMAN. Now, you favor this legislation and you say that every American citizen should have the right to work, don't you?

Mr. HINES. That's right.

Mr. HOFFMAN. Then why don't you let these fellows that want to work in Warner Bros. go to work?

Mr. HINES. My union has nothing to do with letting them go to work. That is an internal dispute among themselves.

Mr. HOFFMAN. But an affiliate of the AFL is disregarding this right to work which you advocate.

Mr. HINES. We advocate an opportunity for employment. Let me say right on that point, Congressman, that there is a difference between the right to work, as you interpret it, and the right to work as we interpret it.

Mr. HOFFMAN. What is the difference?

Mr. HINES. There is this much difference: You asked a question this morning that the gentleman didn't seem to answer to your satisfaction, and if you will permit me I will tell you what the question was, and if you will be responsible for the question I will try to answer it. You said that if you were employed in a plant and there was a strike in that plant, and a picket line put on that plant, would I be justified or would he be justified, in trying to prevent you from going to work. Did you ask that question?

Mr. HOFFMAN. By violence.

Mr. HINES. You didn't say "by violence."

Mr. HOFFMAN. Oh, well, now, don't argue about what I said. I will tell you what my position was, and every man in the room that was here knows, and so do you if you were here and listening. I didn't question the right of any man to strike. I didn't question the right of any man to picket. What I questioned was the right of a mass picket line to prevent by force or violence a man who wanted to go to work in the plant from going in.

Mr. HINES. You said, "Do you have a moral or legal right to prevent me from going to work?"

Mr. HOFFMAN. By violence.

Mr. HINES. You didn't use the term "by violence."

Mr. HOFFMAN. Well, would you have the right to prevent me from going in?

Mr. HINES. Yes; under certain circumstances I would have a moral right to prevent you from going to work. Those circumstances would be where your working would be contingent upon breaking down conditions that would take the bread out of the mouths of the wives and children of the members of my union. If we had a strike in my industry and you tried to go through the picket line, and the strike was caused by the attempt of the employer to break down wages and other working conditions, we would feel that we have every moral right to try to prevent you from going to work. We would not use violence on you. We would try to appeal to your good judgment, and I think you are a good enough fellow that you would agree with it.

Mr. HOFFMAN. Having exhausted the right and having failed to find that I had any good judgment, by what other means would you keep me from going to work? Would you be justified in keeping me from going to work? Tell us that.

Mr. HINES. I would be the last one to advocate violence. Certainly I would not advocate violence.

Mr. HOFFMAN. Do you advocate a picket line? You claim that you would be justified in keeping me from going to work by the use of a mass picket line?

Mr. HINES. I claim that I would have a moral right. That is the question you asked. I have a moral right to prevent you from going to work, if you are going to work—

Mr. HOFFMAN (interposing). By using what means?

Mr. HINES. Moral suasion.

Mr. HOFFMAN. No force?

Mr. HINES. I could not use force without using violence, and I said I am against violence.

Mr. HOFFMAN. You have seen many a picket line, have you not?

Mr. HINES. Yes; I have seen a few.

Mr. HOFFMAN. And you know the custom is to walk in a long oval close to the gate so men cannot get through without jostling the pickets, don't you?

Mr. HINES. Well, there are various techniques in picket lines.

Mr. HOFFMAN. Why don't you answer my question?

Mr. HINES. Wait a minute. You are trying to lump all kinds of picket lines into one category.

Mr. HOFFMAN. No; I am not.

Mr. HINES. There are various classes of picket lines. There is the plant picket line with only one or two people covering the entire block carrying a sign which everybody can read, and if a strikebreaker saw fit to go through, he could not go through without seeing the sign.

Mr. HOFFMAN. Of course, what you do in your technique here is to use a lot of words instead of answering the questions I ask. Now, the thing to which you referred—just wait a minute—you went off on a sidetrack and told us about another kind of picket line. I am familiar with that. In Michigan, Governor Dickinson said there would be so many pickets at one gate, and at another gate so many pickets. Well and good, but the picket line I am talking about is a different kind of

picket line. The kind of picket line that I am talking about is the one employed out in California, where they walk around and so mass themselves together that it is impossible for workers desiring to go in to get in without jostling the pickets. Now, I ask you the very simple question, Do you approve of that kind of picket line?

Mr. HINES. I approve of any kind of a picket line that does not engage in violence and that produces results.

Mr. HOFFMAN. Don't you think that a picket line walking shoulder to shoulder in front of a door, so that it bars free entrance, leads to violence when somebody else wants to go through?

Mr. HINES. I don't believe so, not necessarily.

Mr. HOFFMAN. What is the purpose of a mass picket line in front of a factory gate, unless it is to prevent by force the entrance of others?

Mr. HINES. Well, to my way of thinking, it is for the purpose of using moral suasion on the individual that wants to go through and help break the strike.

Mr. HOFFMAN. Just how does it add moral suasion to a picket line to have men walking shoulder to shoulder in the line?

Mr. HINES. It helps a lot. It helps a lot.

Mr. HOFFMAN. What do you mean by that? Are you sarcastic, facetious, or what?

Mr. HINES. No; oh, no.

Mr. HOFFMAN. What you mean is that it creates fear, don't you?

Mr. HINES. Not necessarily; no.

Mr. HOFFMAN. No, but probably?

Mr. HINES. It makes a great impression upon the would-be strike-breaker.

Mr. HOFFMAN. In what way? The pickets don't say anything?

Mr. HINES. That's right.

Mr. HOFFMAN. They just walk so it is impossible for the man who wants to work to get through.

Mr. HINES. And it makes a great impression upon the potential strikebreaker. You know, you can't expect me to answer—you can't expect me, one who has been engaged in labor activities all his life and has seen the suffering of our people, who has been subjected to all the petty tyrannies of the employers with their industrial spies, with their paid deputy sheriffs, and with their clubbing policemen, to have much sympathy for persons who want to go through a picket line to help break the strike. I can't find it in me to have very much sympathy for them. I don't approve of violence, but I think some impression should be made on those people.

Mr. GIBSON. Can you differentiate between force and violence?

Mr. HINES. Well, force in itself is violence, isn't it? If you do things by force, don't you resort to violence?

Mr. GIBSON. Isn't that force when people act in such a way that others cannot enter the plant, isn't that keeping them out by force?

Mr. HINES. No; I don't think so.

Mr. HOFFMAN. The court out there in California limited the number of pickets, didn't it?

Mr. HINES. Yes; they have done that many times.

Mr. HOFFMAN. And in California the men that belong to your union, who owe allegiance to the A. F. of L., don't pay any attention to that court order, do they?

Mr. HINES. I don't know what the circumstances are, Congressman. I will say this, that we are hopeful that that matter will be adjusted within the ranks.

Mr. HOFFMAN. I should think you would. It is a disgrace to the union.

Mr. HINES. We are working on it now, and we hope that it will work out satisfactorily all the way round.

Mr. HOFFMAN. What I can't understand is why both you and the gentleman that preceded you, speaking for the two great unions, are so reluctant to admit a practice which everyone knows prevails, that is to say, that by a show of force you prevent men who want to go on jobs from doing so, I can't understand why you deny it, because everyone knows it.

Mr. HINES. I have told you repeatedly that I am opposed to violence, and that is the policy of the American Federation of Labor.

Mr. HOFFMAN. And yet your union and the other union practice it as a matter of course.

Mr. HINES. No, we do not practice it. I will tell you what does happen occasionally, Congressman—perhaps you are aware of this—now and again the employers plant a couple of under-cover men in our ranks and they commit violence and we are blamed for it. Did you ever hear of that?

Mr. HOFFMAN. Oh, yes, I have read the hearings of the Senate Civil Liberties Committee, followed them all through. I have seen your picket lines, both A. F. of L. and CIO here in Washington, where they marched right up in front of the door, and it was almost impossible to get into the place where the people wanted to work, or even go into an eating place.

Mr. HINES. You see, under those circumstances the employer will refrain from trying to induce his employees to come to work.

Mr. HOFFMAN. Why? Because of the mass picket line outside of his door, and he knows that if he encourages them violence follows.

Mr. HINES. No; I have found in my work as a mediator that the employer will refrain from anything that will tend to make the situation worse than what it is.

Mr. HOFFMAN. Did it ever occur to you that if this mass picket line continues, some time the American people and the workers will employ the same method as the pickets do, that is to say, they will get one of these flying wedges and then violence and riot will follow?

Mr. HINES. Who will hit the flying wedge?

Mr. HOFFMAN. The people who want the work.

Mr. HINES. Oh, that happens lots of times, sure.

Mr. HOFFMAN. That leads directly to violence.

Mr. HINES. You are familiar with the situation in Detroit in the old days when that was the practice with some of the companies.

Mr. HOFFMAN. How you gentlemen do love to go back to the days of 1923.

Mr. HINES. You bet we do. We like to go back.

Mr. HOFFMAN. You always ignore what happened in 1936 and 1937 and so on down.

Mr. HINES. When they had the strikebreakers. We like to go back to the old days and bring to your mind the activities of the strike-breaking agencies and the under-cover spies and the way that labor suffered at the hands of those individuals.

Mr. HOFFMAN. And to some of us on the outside it looks as though you had adopted those tactics.

Mr. HINES. They don't do that any more.

Mr. HOFFMAN. No; the employers do not. The unions have taken over that method of procedure, that method, haven't they?

Mr. HINES. No; I would not say so. I think the thing is more equally set up now, and I believe that we are entering into an era, Congressman, that you will have to recognize, and that is the era of good will between management and the worker, and I hope that we are going to find that the Members of Congress are going to help contribute to that end.

Mr. HOFFMAN. You are going to find, I believe—I don't know, and I may be mistaken—that the Members of Congress, not because they want to but because they will be driven to it by their constituents, are going to insist that pickets obey the law and refrain from violence.

Mr. HINES. Well, it would be interesting to know where those constituents are, where that sentiment prevails. We hear a lot about the public and we hear a lot about what the people of America are going to do, and they fail to recognize that, after all we are the people.

Mr. HOFFMAN. No; the unions are only a segment of it and union leadership is a very small part of that segment.

Mr. HINES. We are a pretty good segment of it.

Mr. HOFFMAN. You can go into almost any Congressman's office you want to and read the letters that come in protesting against these strikes and violence practiced by unions.

Mr. HINES. If you don't think we are the people, you take the 7,000,-000 members of the American Federation of Labor, plus a million and a half serving in the armed forces, and take their families, and you have got a pretty good chunk of the American people, the American public.

Mr. HOFFMAN. Yes.

Mr. HINES. And add to that the railroad brotherhoods and other organizations, and I think you will find that after all we are a pretty goodly segment of the people.

Mr. HOFFMAN. But your leaders don't speak for all of them nor for a majority of them, and I will show the proof that you don't. I will tell you why, because there is Congressman after Congressman that you have condemned and that the CIO has condemned, and Senators also, and whose defeat you have decreed, who have been elected. I recall very distinctly when William Green threatened to defeat a group over in the Senate and it didn't work out that way. So I am very much afraid that you are just like Congressmen sometimes, you get too big an idea of your own importance. We do, and I am sure you do.

Mr. HINES. Congressman, let me say this: We don't want to try to intimidate anybody, not for a moment. The American Federation of Labor don't intend to threaten anybody.

Mr. HOFFMAN. You have published many a statement saying that you were going to defeat this Congressman or this Senator if he didn't do thus and so.

Mr. HINES. Now, let's get that straight.

Mr. HOFFMAN. I will put it in the record at this point if you have no objection.

Mr. HINES. Will you permit me to put into the record that our policy is to compile the records of all Members of Congress on all legislation that the American Federation of Labor is interested in, a record of their vote either for or against that legislation, whether it be legislation we are opposing or legislation we are favoring, and when your constituents write in to us and ask what your labor record is as compiled by the American Federation of Labor, we sent it on to them.

Mr. HOFFMAN. That's fine.

Mr. HINES. And we do not threaten you. We don't do anything. We leave it up to the good people out where you live to determine whether or not you deserve their support, as based upon your record compiled by the American Federation of Labor. You make the record; we don't make it.

Mr. HOFFMAN. I know that, but you send your interpretation of that record whether anyone wants or asks for it.

Mr. HINES. We don't threaten anybody.

Mr. HOFFMAN. That is the point I was trying to make, that when you say you speak for these people, I think you are over-estimating your ability.

Mr. HINES. No; we don't speak for anybody.

Mr. HOFFMAN. Because in my own district, and you will pardon me a personal reference, Mr. Green sent out a letter to every A. F. of L. man in the district—and I have copies of them—and he sent out a second statement asking for my defeat. Now, there are many A. F. of L. men in my district. They didn't pay any—I won't say they didn't pay any attention, but they did not overwhelmingly follow that advice, don't you see? You can't control your labor votes any more than a Methodist bishop can control the members of the Methodist Church, any more than a lodge can control its members when they go to vote.

Mr. HINES. Of course we can't. Anybody who tells you that he can control them is only kidding you, Congressman. But we can do this: We can apprise our members of the record that you make down here, and we can give them advice also on the side.

Mr. HOFFMAN. And that is your business and duty, and the advice is not.

Mr. HINES. That is sometimes helpful, Congressman, and if we had enough A. F. of L. people up in your district it might be a different story. I don't know. I can't say.

Mr. HOFFMAN. The CIO has plenty, and so has the A. F. of L. and other districts the same way, but fortunately in my district the union men do their own thinking. I am referring to my district as an example to prove the proposition that they don't all follow you over the fence.

Mr. HINES. You are fortunate in that respect.

Mr. HOFFMAN. And so is the A. F. of L. if it only knew it. Now, let's get back, if you will, to your statement. In that statement you repeat several times the idea that there must be cooperation. Don't you think—let me get one paragraph where you say that.

Mr. HINES. Well, we say it several times.

Mr. HOFFMAN. I know you do. Just tell me one place there. You

are more familiar with it than I am. Here is one at the bottom of page 4:

The problem of achieving high levels of employment with high national income involves more than the development of new machinery; it necessitates the cooperation of all groups for the utilization of experiences and information in order to reach and maintain that objective, with an over-all moral responsibility for all groups concerned.

I agree with that. I guess everybody does. The responsibility is on private industry in the first instance to provide jobs. Do you agree with that?

Mr. HINES. Yes; I agree with that.

Mr. HOFFMAN. Should there not be corresponding responsibility on the part of labor to accept and work at those jobs?

Mr. HINES. Well, just what do you mean by that, Congressman?

Mr. HOFFMAN. I mean the same thing that you mean when you say that industry should be responsible.

Mr. HINES. That is rather vague, Congressman. You will have to make it a little clearer when you say there ought to be responsibility on labor to accept jobs.

Mr. HOFFMAN. What do you mean when you say that the responsibility rests primarily upon industry to provide suitable jobs?

Mr. HINES. We distinguish between industry and the efforts of Government.

Mr. HOFFMAN. But what do you mean when you say "responsibility of industry"?

Mr. HINES. The responsibility of private industry.

Mr. HOFFMAN. To do what?

Mr. HINES. In the first instance to provide jobs, because they are the only people who have jobs.

Mr. HOFFMAN. You mean to build a factory and buy machinery and provide the jobs?

Mr. HINES. I don't think we mean compulsory responsibility. We say it is the responsibility of industry to furnish jobs in the first instance, because they are the only people who have jobs. Can we use another word instead of "responsibility"? Can we say industry are the ones who primarily furnish jobs? Maybe that would be a better way of saying it.

Mr. HOFFMAN. I guess they do.

Mr. HINES. We are not going to say we will take industry by the back of the neck and say, "Here, you have got to furnish jobs." We say it is the responsibility of industry—you furnish a term there. You know what I am driving at, what we are trying to say there.

Mr. HOFFMAN. You don't say you will take industry by the nape of the neck and say: "You furnish jobs," but you say if they do not furnish jobs their and other people's tax money should be used to provide jobs.

Mr. HINES. We do not say if they do not. We say if industry cannot furnish jobs, then we will supplement the efforts of industry to do it through the efforts of government.

Mr. HOFFMAN. Well now, don't you think that in order to enable private industry to furnish these jobs, there should be assurance of a steady flow of workers, or of work more accurately—work?

Mr. HINES. How would you achieve that steady flow of work that you speak of?

Mr. HOFFMAN. Well, forgetting for a moment how we could do it, don't you think it would be desirable?

Mr. HINES. Of course it would be desirable.

Mr. HOFFMAN. You will admit, will you not, that industry just simply can't keep a lot of jobs hanging up in the air? There has to be someone ready to take them and somebody working at them practically continuously.

Mr. HINES. There usually is a reservoir of workers ready and willing to go to work. It may be in some instances that a special type of worker is not available, or there may be a scarcity. That happens quite often at different times, but I don't suppose we will ever reach a point, outside of the wartime years, where employers will have jobs and there won't be people to fill the jobs.

Mr. HOFFMAN. Don't you believe that if industry creates these jobs and enters into collective bargaining contracts, the members of the union should be obliged to comply with the terms of those contracts?

Mr. HINES. Absolutely. And I might say for your benefit that that is the policy of the American Federation of Labor. When we enter into contracts we abide by those contracts. Contracts are sacred to us.

Mr. HOFFMAN. That may be true generally, but there are many instances where they do not abide by the contract.

Mr. HINES. I would not say "many." There are instances where they do not. It is human to err. We have our share of trouble there.

Mr. HOFFMAN. Don't you think there should be some provision withholding from those unions and their members the benefits of labor legislation when they do not abide by their contracts?

Mr. HINES. Congressman, I cannot understand why you have such a vindictive mind. You always want to punish somebody for something. You don't seem to realize that in the field of human endeavor and human relationship the best approach is through mediation and conciliation, not a threat.

You can't legislate unity measures to compel people to do things in labor applications.

Mr. HOFFMAN. Right there, don't you know that the National Labor Relations Board is full of that kind of provisions against employers?

Mr. HINES. No; I do not. I would not agree to that.

Mr. HOFFMAN. Do you think it is evidence of a vindictive mind to advocate that unions and the members of the union, after it has signed an agreement, should lose the benefits it obtains under the National Labor Relations Act if it violates that agreement?

Mr. HINES. You know, Congressman—

Mr. HOFFMAN (interposing). Will you answer that question?

Mr. HINES. I am very much interested—

Mr. HOFFMAN (interposing). No, listen, you made a charge that I have a vindictive mind, and I am asking you what you base it on and to answer my last question.

Mr. HINES. In order to answer that I must develop the answer a little more fully. I cannot give you a "yes" or "no" answer, but I am going to give you an illustration, if you will permit me. We have a union in the plant that through their representatives negotiates a contract, and that contract is signed by both parties, and they agree to live up to it. Now, we ask the employer, in order that we may be able

to enforce that contract, we write into the contract a provision that states that all who are members of that union at the time of the signing of the contract, or who subsequently join the union, will remain members during the life of the contract. Do you agree that that is a fair proposition?

Mr. HOFFMAN. Security membership.

Mr. HINES. No, not security membership. It is not maintenance of membership. It is maintenance of membership insofar as it applies to those who are already in the union, but we don't compel them to put everybody who goes to work into the union, but everybody who joins after, subsequent to signing of the contract, during the life of the contract should remain in.

Mr. HOFFMAN. And stay in.

Mr. HINES. Do you agree that that is fair protection for us under the circumstances?

Mr. HOFFMAN. Whether I agree with fair protection or not, you have got it. Go ahead with it.

Mr. HINES. No; we haven't got it. We haven't got it because many employers oppose it, and the Labor Board sometimes refuses to grant that to us. Now, we cannot assume responsibility for people unless we have within our power the determination of whether or not they are going to abide by the rules and regulations of the union. Now, I cannot answer your question until you give us your viewpoint on that. When you do that I will answer it.

Mr. HOFFMAN. Well, assuming that you have a 'closed shop' contract—

Mr. HINES (interposing). Not a closed shop contract. We don't have closed shop contracts.

Mr. HOFFMAN. Maintenance of membership.

Mr. HINES. Union shop contract.

Mr. HOFFMAN. Call it union shop contract then. What is the difference between a union shop contract and a closed shop?

Mr. HINES. All the difference in the world. The term "closed shop" has no place in the vocabulary of the membership of the American Federation of Labor.

Mr. HOFFMAN. What is a union shop?

Mr. HINES. You must be a member of the union in order to work in the shop, a member of the union in good standing, abiding by all the rules and regulations of the union. Now, the term "closed shop" is a misnomer that was hung on us by the employers a good many years ago, and some of us have been foolish enough to accept that terminology, but I repudiate it. I repudiate it, and the members of the American Federation of Labor repudiate the term "closed shop" and "open shop," and all of those beautiful slogans that were coined after the last war, when they started out on the drive to destroy the American Federation of Labor. That is for your information.

Mr. HOFFMAN. Have you finished?

Mr. HINES. Don't use the term "closed shop," because we don't recognize that term.

Mr. HOFFMAN. You may not recognize it, but the public does. Have you finished now?

Mr. HINES. Well, I am here.

Mr. HOFFMAN. Assuming that you have a union shop contract, do

you know of any reason why, when the union or its members violate that contract—

Mr. HINES (interposing). There is absolutely no reason why they should, and if I had charge of that situation I would insist that they live up to the terms of the contract. That is the policy of the American Federation of Labor.

Mr. HOFFMAN. Are you opposed to incorporating in the labor legislation a provision that when they do not abide by the terms of the contract they shall lose the benefits of the National Labor Relations Act?

Mr. HINES. I am opposed to the principle that the National Labor Board or any other board shall impose a condition upon workers which will determine whether or not they can have a union shop contract with the employer. I think that is a matter purely between the employer and the union.

Mr. HOFFMAN. Now you have made that clear.

Mr. HINES. And I am opposed to any board stepping in when we have a relationship that is determined by contract, and through negotiation—I am opposed to any governmental agency stepping in and nullifying that contract, and so far as my union is concerned, to the extent that I can influence them, they won't do it.

Mr. HOFFMAN. Are you through now?

Mr. HINES. Yes, sir.

Mr. HOFFMAN. Assuming that there is a union shop contract, as defined by you, in existence, and the union violates that contract, is there any reason why Congress should not enact legislation providing that if the union violates the contract they will lose the benefits of the National Labor Relations Act?

Mr. HINES. Why, absolutely. There is every reason in the world why they should not. You have no right to under the contract.

Mr. HOFFMAN. I didn't ask you that. You just talk on and on and on. When I ask you a simple question you go off onto some other subject.

Mr. HINES. I am trying to elaborate on the answer.

Mr. HOFFMAN. As far as I am concerned, I have plenty of time. I can stay here tomorrow and the next day.

Mr. HINES. I am enjoying it, and I think we are both deriving some benefit from it. I know I am, and I hope you are.

Mr. HOFFMAN. I am getting—well, I won't say that.

Mr. HINES. Now, I hope you don't feel that way, because I feel that all my efforts would be lost if I haven't made at least some impression on you, Congressman, and, in fact, after this meeting—

Mr. HOFFMAN (interposing). Your ability to use words and your evasiveness has convinced me that you are a past master with words, but when it comes to giving a simple answer to a simple question, you beat any medical expert witness I ever heard. [Laughter.]

Mr. HINES. You flatter me, Congressman.

Mr. HOFFMAN. No; it is true. I don't mean to flatter you.

Under the National Labor Relations Act the employer is punished in various ways if he violates his contract with the union or if he violates the National Labor Relations Act. Now, why should not the union, which enjoys the special benefits of Wagner law, be made legally responsible for violation of a union-shop contract?

Mr. HINES. Because the National Labor Relations Act does not provide for anything of the kind. The National Labor Relations Act—just a minute—you have got to have—

Mr. HOFFMAN (interposing). I asked you why the law should not apply to both, and you said because it doesn't.

Mr. HINES. I am telling you why it does not. The law was set up to give the worker the right that he always had—to protect the right that he always had, namely, to join a union and bargain collectively with his employer. We have always had that right under the Constitution of the United States, but it was infringed upon many times by the employer who denied him that right in various ways, through intimidation, through discharging him when he was active in union affairs. It happened to me a number of times.

Mr. HOFFMAN. Now you are going back to the sins of the employer. For the sake of argument we will admit that they were just as wicked as the Devil himself, for the sake of the argument.

Mr. HINES. The law was enacted for the purpose of protecting the worker in his right to organize. That is all there was to it. Now, why should we start to penalize the employee and pass legislation to nullify the good purposes of the National Labor Relations Act?

Mr. HOFFMAN. You want to know why?

Mr. HINES. Yes.

Mr. HOFFMAN. Because, when you have a union shop contract, the union in various instances has violated it, and there is no penalty on the union in the Wagner Act. Don't you think that the law should put equal obligations upon both parties?

Mr. HINES. May I say this to you—

Mr. HOFFMAN (interposing). No; answer that last question. Don't you think the law should make each employee—you talk about cooperation, don't you think that the law should place a penalty upon the employee, as it does upon the employer? Shouldn't the duty be reciprocal?

Mr. HINES. That is not the purpose of the law. The law was to give the workers protection.

Mr. HOFFMAN. I understand that, but I am asking you, if you want a fair and equitable law where you can get cooperation, shouldn't both parties to the contract be punished when they violate it?

Mr. HINES. Just a moment now. When a union and an employer enter into an agreement, and either party violates that agreement, that is the business of both parties. It is not the business of the National Labor Relations Board. The National Labor Relations Board has certain functions, one of which is, namely, to determine the bargaining agency. Now, I am wondering if you are not confusing the functions of the National Labor Board with the War Labor Board, which was set up as a war agency.

Mr. HOFFMAN. Oh, no; I am not confusing anything.

Mr. HINES. That was set up for the purpose of granting the worker protection when he adopted the no-strike pledge during the war. Now, tell me where the National Labor Relations Board attempts to penalize an employer because he violates the contract with the union.

Mr. HOFFMAN. Did I ask you anything about the National Labor Relations Board?

Mr. HINES. You say that the National Labor Relations Board penalized the employer when he violates the contract with the union. Where have they ever done that?

Mr. HOFFMAN. Don't you know—won't you admit that the Wagner Act, which is the other name for the National Labor Relations Act, penalizes the employer for what is termed "unfair labor practices"?

Mr. HINES. Yes; that is right, when he violates the law, intimidates his employees to prevent them from joining a union or commits other unfair labor practices. After they have reached agreement and signed a contract, it is up to both sides to maintain that contract. The National Labor Relations Board has nothing to do with the continuance of that contract or the relationships thereafter.

Mr. HOFFMAN. In all fairness is there any reason, and if there is, what is it, why one party to the contract should be penalized and the other party should not?

Mr. HINES. Because the law is set up for the purpose of protecting the worker in his right to organize, and provides penalties when the employer interferes with that right.

Mr. HOFFMAN. Don't you think it should also protect the employer?

Mr. HINES. Why should it protect him? In what way?

Mr. HOFFMAN. I didn't ask you why it should. I ask you, Don't you think it should?

Mr. HINES. Why does he need protection?

Mr. HOFFMAN. He needs protection against violation of the contract.

Mr. HINES. But the law doesn't provide that there shall be any interference with the relationship once the contract is entered into. What do you want to do? Do you want to amend the law to provide that if the employer violates the contract or the worker, the union, violates the contract, there will be some penalty imposed?

Mr. HOFFMAN. Certainly, imposed upon both of them.

Mr. HINES. You are again trying to regulate industrial relations, and I tell you that it won't work.

Mr. HOFFMAN. Do you think it is right and just that Congress should sanction practices where, after entering into a contract that was entirely satisfactory, the union or its members can violate it?

Mr. HINES. Of course, it is not right for Congress to sanction that, and they have never sanctioned it so far as I know.

Mr. HOFFMAN. Is there any reason why Congress should not give the employer a remedy against unfair labor practices on the part of unions?

Mr. HINES. I am enjoying this, and I still think that the Congressman has a little bit of vindictiveness, and I sincerely hope that—

Mr. HOFFMAN (interposing). Well, you haven't any right to express any such opinion as that. If you want to do it, let me say it is the sort of method you employ on the picket line, that sort of intimidation. You are welcome to it. It doesn't hurt me any.

Mr. HINES. I feel nothing but kindness toward you. I have a very kindly feeling for you, and I hate to see you express that vindictive feeling, because I think we are entering an era where we are going to need the good will of everybody.

Mr. HOFFMAN. You are right, brother. You are going to need it pretty badly.

Mr. HINES. And we hope you will change your ways a little bit and won't be so vindictive toward labor unions.

Mr. HOFFMAN. I have no feeling against unions or union men as such. Understand me that I am in favor of and my sympathy is with the individual worker, but I have no particular use for either labor politicians or labor racketeers who think and act, not in the interest of their members, but for themselves, and I don't class you as either.

Mr. HINES. In other words, you don't like unions? Is that it?

Mr. HOFFMAN. No; I like unions. I think they are absolutely necessary, and neither you nor any other man has any right to say that I do not favor unions. I don't like some of the things they do, and the American people don't like those strikes accompanied by violence and I do not have any sympathy for a fellow who holds a job as a union official merely to create trouble in unions or between employer and employees.

Mr. HINES. Well, I don't think there is any place in the scheme of things for the fellow who creates trouble in order to hold his job, and that goes for both sides. That goes for the personnel man too.

Mr. HOFFMAN. Now let's get back, if you will, please, for a moment, to your statement here on the first page, "remunerative"—that is the word describing the kind of employment—"remunerative, regular, and full time employment."

What is meant by that?

Mr. HINES. Let us get the dictionary and find out.

Mr. HOFFMAN. I need the dictionary.

Mr. HINES. I think that is the best way.

Mr. HOFFMAN. What do you mean by those terms?

Mr. HINES. It means something that will—"remunerative" means something that will bring in compensation of some kind.

Mr. HOFFMAN. That is the point. What is it to be?

Mr. HINES. I guess we distinguish between work for compensation and work for free.

Mr. HOFFMAN. What is the standard by which the term "remunerative" is to be measured, and who is to determine it?

Mr. HINES. Well, if we set up public works, of course, the law already provides that daily rates of wages shall be paid if we let contracts to private parties.

Mr. HOFFMAN. You have answered the question.

Mr. HINES. Wait a minute. I have got to go a little further. This calls for a more comprehensive answer than that. If the Government lets contracts to private employers or private contractors to erect buildings, it will be determined by collective bargaining where those agencies for collective bargaining exist. We have been all through this, Congressman.

Mr. HOFFMAN. Now, assuming that the union and the employer—in the case where the private contractor cannot agree with the union on the rates of remunerative pay, then who is to decide what shall be paid?

Mr. HINES. I presume the conciliation service would be called in and they would follow the usual procedure. Right away let me say this, that the policy of the American Federation of Labor—

Mr. HOFFMAN (interposing). Now, these other gentlemen are sitting

around here listening to this. I was hoping we might finish this evening.

Mr. HINES. You asked a question and I am trying to give an answer to it.

Mr. HOFFMAN. No; you are straying off into the general policy of the American Federation of Labor.

Mr. HINES. No; I am trying to lead up to an intelligent answer to the question who would settle the dispute. That is what you want to know, isn't it?

Mr. HOFFMAN. Yes.

Mr. HINES. Well, if it happened in an instance where our contract provided for arbitration—and most of the contracts in the building trades do—it would be settled by arbitration. It could be settled by mediation and conciliation, by bringing both parties together and sitting around the table and arriving at an understanding.

Mr. HOFFMAN. Do you concede that some man or some would-be employees cannot earn a minimum wage?

Mr. HINES. Some what?

Mr. HOFFMAN. Some employees cannot earn a minimum wage.

Mr. HINES. What minimum wage?

Mr. HOFFMAN. It is fixed by law.

Mr. HINES. Of course, some people are physically handicapped.

Mr. HOFFMAN. No; I mean persons who are apparently physically well.

Mr. HINES. Well, they can be mentally ill. They can be handicapped in that way.

Mr. HOFFMAN. Well, we have inmates of institutions for idiots and feeble-minded.

Mr. HINES. I doubt that there are any of them employable. When we use that term "employable" we have got to take into consideration a man's physical and mental capacity, and a man or woman—I doubt if there is anybody employable that would not be able to earn the minimum wage prescribed by standards that are set up, particularly under unique conditions. Now, let me go a little further on that.

Mr. HOFFMAN. Can you come back tomorrow?

Mr. HINES. Yes; I have.

The CHAIRMAN. We have two out-of-town witnesses scheduled for tomorrow, Mr. Hoffman.

Mr. HOFFMAN. Let him come back some day next week then.

On page 2 of your statement—

Full employment will come mainly from placing responsibility of private industry and requiring reporting on stewardship.

What sort of reporting do you mean?

Mr. HINES. Well, Congressman, that is another way of saying that we call upon employers to furnish information to the President as to their ability to hire more people or give reasons why they have had to lay people off, and so forth, and in that way we shall be able to determine just what the situation is there.

Mr. HOFFMAN. Will you require him to give an advance statement as to the wages which he can pay?

Mr. HINES. We won't require anything. I don't think Congress would set up machinery to do that. I think that all falls into the province of the President and his advisers.

Mr. HOFFMAN. Down in the next paragraph you say :

The President shall establish such advisory boards or committees—
and so forth.

Mr. HINES. Yes.

Mr. HOFFMAN. He has those now, hasn't he?

Mr. HINES. Not in connection with this type of legislation. He has boards, advisory boards. Are you familiar with the labor management committee that existed in the War Manpower Commission and in other agencies, and the magnificent job they did?

Mr. HOFFMAN. That paragraph does not require the President to do anything he cannot do now in his annual message or any message that he desires to send to Congress, does it?

Mr. HINES. I presume the President could by Executive directive set up advisory boards in connection with the functioning of any particular agency or department.

Mr. HOFFMAN. Down in the next paragraph there is this statement:

We have accepted the principle of social insurance to provide incomes for workers involuntarily unemployed.

In your opinion, does not the cost of that ultimately fall upon the consumer?

Mr. HINES. We have accepted the principle of social insurance, providing insurance for workers involuntarily unemployed. What is the question?

Mr. HOFFMAN. The question is, Doesn't the cost of that social insurance fall ultimately upon the consumer of goods manufactured?

Mr. HINES. Well, it would be a long way round. It comes from a pay roll imposed pay roll.

Mr. HOFFMAN. Now you are going—

Mr. HINES (interposing). Wait a minute. You wanted an answer, Congressman. I have got to answer you intelligently.

Mr. HOFFMAN. You answered it.

Mr. HINES. No; I did not—imposed upon pay rolls in some States and from pay rolls and workers' contributions in other States. In some States employees make a contribution to that 3 percent tax, too, so I don't think it would fall entirely upon the consumers.

Mr. HOFFMAN. And if the worker is to have enough to live on, as he should, then the cost of this insurance must be taken from what he would otherwise get, and must be reflected in the cost of the product?

Mr. HINES. Well, you have a pool method there.

Mr. HOFFMAN. I understand that.

Mr. HINES. And in many instances, or in some instances, the workers would derive a benefit from unemployment compensation where others would not have any need to call upon unemployment compensation. Incidentally, don't forget that that tax is reduced in many instances where merit rating prevails, or in other words, where employees give steady employment, more steady employment than in the usual case among other employers. So the tax is not always as high in some instances as it is in others.

Mr. HOFFMAN. But in the long run and in the end, this money for social insurance comes out of the consumer and is added to the cost of what he gets.

Mr. HINES. Well, in the long run everything that we have in the way of governmental activity, everything that we have in the way of social insurance, old-age security, comes out of pay rolls, and perhaps you could eventually trace it down to the consumer. Again I say it is a pooled effort.

Mr. HOFFMAN. Further down in the paragraph you say:

There must be willingness to get the facts and fact the consequences by individual managements as well as industries, so that exercise of the right to do business shall be accompanied by obligation to plan for sustained employment for the work force that levels out pay in enabling workers to have rising standards of living.

Perhaps I have asked it before, but sholudn't there be an obligation also upon the employee to assist in that planning for sustained employment?

Mr. HINES. I don't know how you could place such an obligation on an employee.

Mr. HOFFMAN. You don't know how you could?

Mr. HINES. No.

Mr. HOFFMAN. One way, I would think, would be to enter into an agreement and abide by that agreement to work continuously—I don't mean forever, but I mean for a stated time.

Mr. HINES. Suppose he did not work continuously or work as long as the agreement provides for?

Mr. HOFFMAN. That gets us back to the old question, Should he be required to?

Mr. HINES. How are you going to require him?

Mr. HOFFMAN. He might be deprived of benefits under the National Labor Relations Act.

Mr. HINES. Suppose he don't belong to a union?

Mr. HOFFMAN. Well, suppose he does?

Mr. HINES. But suppose he doesn't?

Mr. HOFFMAN. All right. I am talking about the union man now.

Mr. HINES. I am asking you to find some way to require him.

Mr. HINES. Mr. Chairman, I wonder if I could make a suggestion, with the acquiescence of our friend Representative Hoffman. I believe he is sincerely endeavoring to analyze this proposition, not only the bill but my statement, and I am wondering if he and I could get together some day in his office and sit down and have a heart to heart talk and go over this thing and perhaps come back before the committee and report to you that we have had a meeting of the minds. Would that be agreeable to you?

Mr. HOFFMAN. What I am trying to do is to make a record so that when the bill comes before the House the Members can understand the attitude and testimony of the witnesses.

Mr. HINES. Let me say with all due respect to you, if you are trying to put me in a position where I am going to answer questions the way you want me to for the purpose of making a record to use to the detriment of this bill, I am going to permit you to do it; but if you want to sit down in your office and talk with me, I think that perhaps if you are sincere and I am sincere we will reach an understanding on this thing, and we will come back and report to the committee that we have a meeting of the minds.

Mr. HOFFMAN. My concern grows out of my fear that while we are all in favor of the announced objectives of the bill, some of us do not understand just how it is to be made to work, and that is what we are trying to learn. Am I right, Mr. Chairman? That is about the sum and substance of it, isn't it?

The CHAIRMAN. I think so.

Mr. HINES. I think that is a fair statement. I came here this afternoon for the purpose not of being technical or anything of the sort, but to enter into a discussion of this thing to develop as much light as we possibly could on it.

Mr. HOFFMAN. His point is good, Mr. Chairman, no quorum.

The CHAIRMAN. Do you have any more questions?

Mr. HOFFMAN. Yes, I have a few questions, but as long as the point has been made I don't want to have a record after the point has been made.

The CHAIRMAN. The committee will stand adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 5:05 p. m., the committee adjourned until 10 a. m., Wednesday, October 17, 1945.)

FULL EMPLOYMENT ACT OF 1945

WEDNESDAY, OCTOBER 17, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES
IN THE EXECUTIVE DEPARTMENTS,
Washington, D. C.

The committee met at 10 a. m., Hon. Carter Manasco (chairman) presiding.

The CHAIRMAN. The committee will please come to order. Mr. Charles A. Eaton of Newark, N. J., president of the National Association of State Chambers of Commerce, is here, and we will hear him at this time.

STATEMENT OF CHARLES A. EATON, JR., PRESIDENT, NATIONAL ASSOCIATION OF STATE CHAMBERS OF COMMERCE, NEWARK, N. J.

Mr. EATON. Mr. Chairman and gentlemen of the committee, I am Charles A. Eaton. I am president of the National Association of State Chambers of Commerce, Newark, N. J. For the purpose of informing you why we are here this morning, I would like to make a very brief statement for the record which will indicate the organizations which are members of the National Association of State Chambers of Commerce.

Mr. HOFFMAN. Mr. Chairman and Mr. Cochran, is this another one of these statements that they are putting in, because what I have before me apparently is a statement by Dr. Spahr.

Mr. EATON. No, no, Mr. Hoffman, this is not a statement by Mr. Spahr. Mr. Spahr will make a statement a little later on, but this is my own statement that I am going to make. If you will but hear me out, I am sure you will find that my statement will be clear as to its intent.

The CHAIRMAN. Let me make this statement for the record: the other day the president of my State chamber of commerce, called up and said there were some 26 State chambers of commerce that wanted to testify before the committee. I said that in all probability they will all testify to the same thing, so why could they not agree upon a statement and save these 26 people from coming up here and coming before this committee one by one. So, they prepared this statement, a statement upon which they all agreed; is that correct, Mr. Eaton?

Mr. EATON. That is correct.

The CHAIRMAN. That is the statement, and it is a statement which represents all of these various people. It simply saves having them

all come here and repeat the same thing 26 times, or as many times, as they would come in, perhaps more than that.

Mr. COCHRAN. Is your organization affiliated with the National Chamber of Commerce, Mr. Eaton?

Mr. EATON. Yes. Our organization is affiliated with the National Chamber of Commerce.

Mr. COCHRAN. Do you receive any financial support from them?

Mr. EATON. No, sir; we do not receive any financial support from them.

Mr. Cochran. But you are, Mr. Eaton, in contact with them?

Mr. EATON. Oh, yes, I am in contact with them; that is, our State chambers of commerce are in contact with the National Chamber of Commerce.

Mr. COCHRAN. Are your views the views of the National Chamber of Commerce?

Mr. EATON. It does not work out just that way. A good many of the State chambers are members of the National Chamber of Commerce, and support it. We have this informal association of our own, which gives us an opportunity to meet and discuss national and State issues on a State level, and we are here this morning in that capacity. We are not here this morning as representatives of the National Chamber of Commerce, but as I have indicated. I might say that I have with me Mr. R. B. Skinner, secretary-treasurer of the National Association of State Chambers of Commerce, and you may call upon him if you desire to do so.

Mr. HOFFMAN. You stated you were affiliated with the National Chamber of Commerce.

Mr. EATON. Only as individual members, of course.

Mr. HOFFMAN. Do you receive instructions or notifications or advice from the national organization?

Mr. EATON. No; we receive merely information from them, Congressman.

Mr. HOFFMAN. But you are not controlled in your policy by them?

Mr. EATON. We are not, in no way whatsoever.

Mr. HOFFMAN. I understood from the witness yesterday that the pickets in California which are picketing outside of the motion picture studios, and which are keeping out any man who might want to go back to his or their jobs, are affiliated with the National American Federation of Labor, and they receive their instructions as to policy from the national organization of the A. F. of L. I was wondering if this gentleman and his organization were controlled in the same or a similar way and to a same or similar degree by the national organization.

Mr. EATON. We are not controlled by anybody. We form our own opinions and execute our own ideas.

Mr. HOFFMAN. Do you gentlemen or your organizations engage in any picketing?

Mr. EATON. No, indeed. We do not engage in any picket lines.

Mr. HOFFMAN. You do not support any picket lines?

Mr. EATON. No, indeed. We do not support any picket lines.

Mr. HOFFMAN. On the other hand, do you engage in any strike-breaking of any kind?

Mr. EATON. We do not engage in any strikebreaking; no.

Mr. HOFFMAN. Do you take part in any violence?

Mr. EATON. No, indeed, we do not engage in any violence.

Mr. COCHRAN. The only reason I asked the question was that I noticed that this gentleman, this was on the letterhead of the National Association of State Chambers of Commerce, 605 Broad Street, Newark, N. J. And I was just wondering why the president of the National Chamber of Commerce was coming before this committee.

Mr. EATON. I am the president of the National Association of State Chambers of Commerce, if I may make the record clear in that regard.

I am very glad to answer any question which you might desire to ask.

Mr. COCHRAN. I think it advisable to come to the question of who is appearing here to represent who, because on yesterday we had the heads of two labor organizations who appeared here. I do not think that every other labor organization affiliated with them, that followed their policy, should be given the opportunity to appear here, because if they are we will be here until next July.

Mr. HOFFMAN. Just one little correction there, we did not have the heads of two labor organizations appear here, we had two of the boys down the line come in here and read statements which had been prepared, apparently for the heads of those labor organizations. The heads of these organizations did not, for their own reasons, choose to appear here.

Mr. EATON. I am not asking that every one of these State chambers of commerce appear here, Congressman. On the contrary, we appear for them as a whole, and I believe it will save a great deal of time.

Mr. COCHRAN. I just wanted to get that clear.

The CHAIRMAN. The president of the National Chamber will be unable to attend, or did not attend.

Mr. COCHRAN. I would be just as anxious to hear from the National Chamber of Commerce as Mr. Hoffman or anybody else.

Mr. HOFFMAN. That is right, and I think you should. I think that we should hear from everybody, no matter what their opinions are, so long as they represent those for whom they say they appear.

The CHAIRMAN. The president of the National Chamber is for the bill.

Mr. COCHRAN. I want to talk to him, I want to talk to whoever the head of the organization is that is appearing here. I want to make that point clear.

The CHAIRMAN. He is out trying to settle the labor dispute in Hollywood at the present time.

Mr. COCHRAN. He is out there doing his best, I am sure, and we will await his results, of course.

Mr. HOFFMAN. Everybody wants labor peace.

Mr. ELLIOTT. Everybody wants that. That is something that everybody wants.

Mr. HOFFMAN. He does not seem to be getting very much support from President Truman in his effort.

The CHAIRMAN. Let us dispense with that now, gentlemen, and proceed with this.

Mr. EATON. Mr. Chairman, the statement which is to be presented by the speaker who will follow me, is a statement which has been

endorsed, and is one outlining the view of those who desired to present it to the committee, and they want to place themselves on record, and these are the following: Arkansas State Chamber of Commerce; California State Chamber of Commerce; Connecticut State Chamber of Commerce, Inc.; Chamber of Commerce, Delaware; Indiana State Chamber of Commerce; Montanans, Inc.; New Jersey State Chamber of Commerce; Chamber of Commerce of the State of New York; Pennsylvania State Chamber of Commerce; South Carolina—Organized Business, Inc., of South Carolina; South Texas Chamber of Commerce; Vermont State Chamber of Commerce; West Virginia Chamber of Commerce; Wisconsin State Chamber of Commerce.

The CHAIRMAN. Can you tell me if any of these members of the National Association of Chambers of Commerce have expressed any views in regard to this particular bill?

Mr. EATON. Mr. Chairman, at a conference of the members of this association, held in Washington, D. C., September 26, 1945, a resolution was unanimously adopted by all of those present at that meeting that our association and its members should register their opposition to the enactment of H. R. 2202 or S. 380. The following State chambers of commerce were present and voted for this resolution: Alabama State Chamber of Commerce, California State Chamber of Commerce, Colorado State Chamber of Commerce, Connecticut Chamber of Commerce, Inc., Chamber of Commerce, Delaware, Greater North Dakota Association; Illinois Chamber of Commerce; Indiana State Chamber of Commerce; Kansas State Chamber of Commerce; Massachusetts Chamber of Commerce; New Jersey State Chamber of Commerce; Chamber of Commerce of the State of New York; Ohio Chamber of Commerce; Pennsylvania State Chamber of Commerce; Organized Business, Inc., of South Carolina; Virginia State Chamber of Commerce, West Virginia Chamber of Commerce; Wisconsin State Chamber of Commerce; East Texas Chamber of Commerce; and West Texas Chamber of Commerce. In addition to the above list of State chambers of commerce, as I have named them to you, who voted for the resolution registering opposition to the enactment of H. R. 2202, the following chambers of commerce have also registered their opposition: Vermont State Chamber of Commerce; Arkansas Economic Council State Chamber of Commerce; Idaho State Chamber of Commerce; Montanans, Inc.; and South Texas Chamber of Commerce.

Mr. COCHRAN. Have you a State chamber of commerce in Missouri?

Mr. EATON. It is not active. It is not an active one, sir.

Mr. COCHRAN. Is it affiliated with you?

Mr. EATON. Only to a very limited degree in that we send them some information from time to time. I would say it is on a rather loose basis, but we cooperate together, of course, with them.

Mr. COCHRAN. I have never had any kind of communication from the State Chamber of Commerce of Missouri. I was wondering just what they did have.

Mr. EATON. I think it would be very helpful if Missouri did have one.

Mr. COCHRAN. They have some city chambers of commerce in Missouri; but I do not know of any State chamber of commerce.

Mr. EATON. Yes, they do have a number of city chambers of commerce, but I do not think they have any State chambers of commerce

there, or State chamber of commerce for the State. They are operating on a city level, they are not operating on a State level.

Mr. HOFFMAN. I would like to say something there.

The CHAIRMAN. This will be off the record.

(There was a discussion off the record.)

The CHAIRMAN. Gentlemen of the committee, let us be in order again. Back on the record now. Mr. Eaton you may proceed.

Mr. EATON. I also have for the record, if it please you, Mr. Chairman, a list of 25 of our associations who have—well, I might put it this way, which included, of course, those, and they have prepared statements, and they are now here in this group, and in that group they have indicated their opposition to H. R. 2202 at a meeting of the national association held in Washington on September 26, 1945, as I stated before. I merely want to repeat that to make certain that you have it. I would like not to take your time in reading these necessarily, but I would like to file these with the committee, and if I can place them with you, I should like to do so.

Mr. COCHRAN. I would like to ask you as to the nature of their opposition.

Mr. EATON. As to the nature of the opposition? What was the opposition?

Mr. COCHRAN. Yes. On what did they base their opposition to this particular bill?

Mr. EATON. Congressman, the opposition is based on the principles of businessmen on which they stand in respect of economics. I might say that Dr. Walter E. Spahr, of New York University, is here, and he will give you an over-all expression of the views of our organization. He has collected much of the material, and he has culled through much of the material, and he will give it to you here today in a brief, succinct, and concise form, and he is speaking on behalf of these various State chambers of commerce, he is here representing them, and he will speak for us, and I would prefer to have him enunciate these views as you may desire to interrogate him in regard to them.

Mr. COCHRAN. How about you as president—can you voice your opposition to it? What is it based upon?

Mr. EATON. My opposition is founded and it is expressed in the statement of my own New Jersey opposition in the New Jersey State Chamber of Commerce.

Mr. COCHRAN. I do not have a copy of your statement. I do not know what it is. I cannot intelligently ask you questions about it.

Mr. EATON. I would prefer, in the interest of brevity, if you please, Congressman, to file this statement rather than to read it, because it is rather long.

Mr. COCHRAN. We now find that you have a statement there, and here we have a statement of Dr. Spahr.

Mr. EATON. Yes; Dr. Walter E. Spahr.

Mr. COCHRAN. Dr. Spahr. By the time we get through the record we will be about 2 feet high, and if they put all of these statements in the record, and if Dr. Spahr is going to cover the entire subject for your organization, why put them in the record?

Mr. EATON. The idea was to put these in the record, in conversation with the chairman of your committee, rather than have each one

of these gentlemen come down and make their statement, it was agreed that we would simply bring these statements along for the record. If you do not want to put them in the record, why, whatever the committee desires will be quite satisfactory.

Mr. COCHRAN. If they are duplication of what he is going to say, it would not seem to me that it would be wise to put them in the record.

Mr. EATON. I do not believe they are a duplication. May I suggest this, Mr. Chairman, that if the committee feels that you have already too much evidence, that is, to put in the record, we will be very appreciative. However, if your committee would take our statements and if the committee would go over them, and if you do not wish to incorporate them in the record, of course, that is something over which we have no control.

The CHAIRMAN. Inasmuch as these statements were prepared and brought here in this manner in order to save time of the committee and to avoid bringing these 26 witnesses here, it would appear appropriate that they should be placed in the record. Without objection, we will allow Mr. Cochran to look over this statement, and then he can examine on the basis of the statement if he desires. Time will be allowed for that purpose.

Mr. COCHRAN. Oh, no, I do not want to take the time to go over that.

Mr. HOFFMAN. It seems to me that on yesterday we established that precedent when Mr. Murray's statement was read to us by Mr. Cowan, and also the statement of the head of the American Federation of Labor was read by one of the officers of that organization. Since we have established that, why would it not be all right in this case? I fail to see the difference. Why not have a uniform practice here?

Mr. COCHRAN. Frankly, it does not make any difference.

The CHAIRMAN. Without objection, it will be incorporated in the record, then.

Mr. COCHRAN. I think that would probably be all right. It seems to me that this is just about the same situation that we had on yesterday, but I just wanted to ask the gentleman in order to clarify the situation.

Mr. HOFFMAN. I think the situation should be clarified. I do not think we should have a situation in which there is any doubt as to what is going on.

The CHAIRMAN. I think it is clear now. Let us try to get along.

Mr. COCHRAN. He has given me a copy, and I have not had an opportunity to read it over.

Mr. EATON. I will be very glad to come back at a future time, or this afternoon or any other time, if you desire to go over it and then ask me any questions. I am more than anxious to be of any service that I can be.

Mr. HOFFMAN. He will come back then?

Mr. EATON. Oh, yes; I will be very glad to come back.

The CHAIRMAN. With that understanding, we will incorporate these documents in the record at this point, and then proceed to the next witness.

(The statements of the 25 State chambers of commerce referred to follow:)

ARKANSAS ECONOMIC COUNCIL,
STATE CHAMBER OF COMMERCE,
Little Rock, Ark., October 13, 1945.

Mr. CHARLES A. EATON, Jr.,

*President, National Association of State Chambers of Commerce,
Newark 2, N. J.*

DEAR MR. EATON: The Arkansas Economic Council, State Chamber of Commerce, is solidly opposed to enactment of the so-called full employment bill (H. R. 2202).

The Council, State Chamber, considers this a deceptive and misleading proposal. It is wholly unrealistic and is deemed to contain fatal defects which would bring most serious and unfortunate consequences upon the people of the United States and their economic well-being.

The Arkansas Economic Council, State Chamber of Commerce, stands for private enterprise, a free market, and the profit system. It is felt that through the centuries this has proven the only sound economic system.

The proposal for a national budget is particularly objectionable for reasons only too obvious. It would inevitably result in increased Federal spending, in growth of the Federal bureaucracy, and in expanded controls over the lives of our people.

This measure, as a whole, is regarded by the Council, State Chamber, as undesirable and likely to retard development of individual initiative and enterprise in the United States.

Very truly yours,

FRANK CANTRELL, *Manager.*

POSITION OF CALIFORNIA STATE CHAMBER OF COMMERCE ON S. 380, FULL EMPLOYMENT BILL

The California State Chamber of Commerce, Agriculture and Industry, recommends vigorous opposition to S. 380, the so-called full employment bill, now pending in Congress, because its basic policy declarations would commit our National Government to assume responsibilities and guaranties which it can never fulfill without extending controls over labor and wages, capital and investments, and production and prices to a point which would destroy the system of free enterprise which the measure purports to aid. Other reasons for opposition to the far-reaching, dangerous, and impractical provisions in this measure are that—

1. It requires that a Government bureau attempt to guess a year or more in advance how much private consumers or investors are going to spend, how many will thus be employed, and how many will desire to work. Then it requires the President and Congress to take immediate action to fill some unknown "gap" between this obviously unreliable forecast of spending and employment and a vaguely defined condition of "full employment."

2. If this means anything, it means simply that if private citizens appear unwilling to spend or to invest their incomes and savings on the basis of their own opinions as to the values of products and services offered them at prevailing prices or their own forecasts of investment opportunities, the Government shall take steps first to induce them and then to compel them to do so, using its powers of taxation or deficit spending as the means to that end.

3. This measure commits the Government to a policy of deficit spending on whatever vast scale might be necessary to maintain so-called full employment, and thus by the threat of policies which investors and enterprisers believe will lead to disastrous inflation or a governmentally managed economy creates fear and discouragement rather than confidence in the future.

4. This measure contains no provisions for governmental action to aid or guide private enterprise in achieving the universally desired goals of high levels of production, consumption, and employment or of averting extended periods of mass unemployment which could not better be provided by specific measures for attaining those goals. We would favor the following specific policies which would aid private enterprise in attaining maximum productive and job-giving activities:

- (1) That the Government eliminate all unnecessary expenditures to the end that there be a reduction in the present corporate and personal income tax rates, and as a part of this procedure so equalize the tax burden that venture capital will again become available.

- (2) That Government give assurance now it will not further devalue the dollar, and that Congress not again delegate to the executive branch of the Government the power to change the value of the dollar.

- (3) That Government adopt a policy for the progressive and continued reductions of the national debt.

(4) That Congress and the legislature of the several States in acting upon social security or other public assistance plans be guided primarily by these considerations:

(a) Increased output of goods and services and the expansion of productive work in private enterprise is fundamental to the future security or standard of living of all of the people and to the solvency of their governments.

(b) Under existing and probable future burdens of taxation, higher pay-roll or similar taxes upon business for the support of large new social-security programs will restrict needed expansion of production and jobs. The adverse general results of such a restriction on jobs and pay rolls are likely to be so much greater than any of the intended benefits to specific groups of individuals, as to justify opposition at this time to any large extension of social security programs.

(5) That national labor legislation be amended to provide equal treatment for labor and management.

(6) That reasonable and effective restrictions be enforced against monopolistic practices contrary to the public interest, on the part of capital, management, or labor; and that in fields where monopolies are in the public interest (e. g., public utilities) they be subject to reasonable and effective public regulation.

CONNECTICUT CHAMBER OF COMMERCE FOR FULL EMPLOYMENT

Statement on full employment bill, H. R. 2202, submitted to Manasco House committee, October 17, 1945, by William B. Cafky, director of research, Connecticut Chamber of Commerce

The Connecticut Chamber of Commerce is in full accord with the objective of the proposed full employment bill—the maintenance of “full employment” in the United States. However, we believe that expansion of governmental direction and control over the economy as provided in the proposed bill, will defeat the very objective intended by those who sponsor it.

Although the bill states, under “Declaration of Policy,” that “It is the policy of the United States to foster free competitive enterprise and the investment of private capital in trade and commerce and in the development of the natural resources of the United States,” we believe the program in its essence shows little faith in the virtues and strength of private enterprise.

The language in the bill stating that “To the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment,” would indicate a further encroachment by Government into fields of business not susceptible to efficient Government operation; such policy to be based upon statistical and hypothetical estimates on future investments, expenditures, gross national product, and of regular and full-time employment, prepared by a small group of Government statisticians, in spite of the fact that such concepts are matters of dispute among economists both as to definition and as to the possibility of accurate measurement. We believe that such a program would create the very unemployment crisis which it seeks to avoid.

This bill, if enacted, will prove another link in a chain to fetter free competitive enterprise, thus discouraging the investment of private capital in trade and commerce, retarding development of our natural resources, and creating unemployment rather than full employment.

The end of the war sees industry converting rapidly and efficiently to peacetime production. Orders for products needed both at home and abroad have exceeded all expectations. New businesses are needed and old business must expand if we expect to meet consumer demand. New businesses and expansions by those already established will create greater fields for employment and provide a greater number of jobs. Therefore, if Government does away with that part of its activities and those wartime controls which in peacetime hamper and retard business, adopts a thrifty attitude toward Government spending, and decreases the tax burden proportionately, it will stimulate increased investments of private capital in new and old businesses, with a result that the general level of business activity will be so high as to furnish employment in large measures.

Future planning by business for maximum peacetime production and full employment can be greatly encouraged if business and industry promptly know what

their taxes will be in the immediate future. Of the interim and proposed emergency tax legislation which is now being considered by Congress, we urge especially the immediate repeal of the excess-profits tax with a retention of the 2-year carry-back; reduction of normal and surtax to at least 36 percent; repeal of the capital-stock tax; and a 20-percent reduction across the board in all individual taxes.

The American system of free enterprise under wartime emergency quickly adjusted itself to those conditions necessary to wartime production, producing not only for the United States but for its allies as well. It was a Herculean job—the impossible—and business and industry came through with a record unparalleled in world history. The American system of free enterprise, if allowed to function without burdensome governmental controls, can meet the heavy demands for peacetime production and full employment as well.

The Connecticut Chamber of Commerce strongly feels the need for all citizens to advocate the importance of the American system of free enterprise, and to cooperate with Government authorities to facilitate prompt liquidation of Government agencies which, established as emergency measures, compete with the normal process of private business and, further, to discourage Government establishment of agencies which would be in direct competition with private enterprise.

CHAMBER OF COMMERCE, DELAWARE, INC.,
Wilmington 24, Del., October 13, 1945.

Hon. CARTER MANASCO,

*Chairman, Committee on Expenditures in the Executive Departments,
 House of Representatives, Washington, D. C.*

DEAR CONGRESSMAN: Being unable to appear in support of the statement in opposition to H. R. 2202 (Full Employment Act), which is being presented on behalf of the National Association of State Chambers of Commerce, I desire to place in the record the views of this organization—the Chamber of Commerce, Delaware, Inc.

Everyone will agree that it is desirable to enjoy a useful and remunerative job.

We must reject the totally unsound statement that the Federal Government must see to it that these rights become realities. No government can guarantee the right to such things and remain a representative democracy.

The Patman bill attempts by law to insure the right to a useful and remunerative job.

It is difficult to conceive a more unfortunately worded and misleading statement of policy. It is misleading because there is failure to define the kind of occupation and remuneration which would satisfy section 2 (b), and because it assumes that government can assure, at all times, employment opportunities satisfactory to everyone.

The bill would create a large bureaucracy, calling for millions of questionnaires, which would finally present to Congress reports of doubtful value on which to frame remedial legislation.

A totalitarian government, telling everyone at what job he must work, how he may invest, and on what he may spend, may be able to provide everyone with a job. No democratic government, which leaves to the individual freedom of choice, can fulfill any such obligation.

All that government can do is to see to it that its policies, fiscal and social, do not block or impede progress.

It is time we returned to a realization that economic laws cannot, with impunity, be violated.

We believe that Congress should first review and discuss the specifics which various economic groups maintain would most encourage the fullest employment and individual enterprise.

Such an inquiry would provide the background of information essential to any intelligent decision on what steps government might take.

It would, if nothing more, allay the fears that H. R. 2202, if enacted, would generate an atmosphere of uncertainty and also lead to further Government regimentation of enterprise of both management and labor.

If, through sound laws and fiscal policies, the Government will create a good atmosphere for full employment, business management would feel encouraged to go ahead.

In any discussion of full employment the necessity for governmental economy cannot be emphasized too strongly. Lavish spending by Government obviously

leaves employers with less resources with which to provide job opportunities. High Government budgets are not, therefore, consistent with productive employment.

Surely it is possible to have full, or practically full, employment, under a totalitarian state. Germany and Russia exemplified this. The price of full employment by this route, however, is abandonment of a democratic political and economic system.

The Patman bill purports to avoid this possibility by providing initially for what appears to be a rather attenuated and diluted Government control; the long-run result seems likely to be the same.

If the philosophy of government contained within the Patman bill is to obtain, we are headed not only for national disaster, but probably, also, the loss of the fundamental freedom on which this Nation was created, and for the preservation of which World War II was fought.

Sincerely,

THOMAS DONALDSON, *President.*

STATEMENT OF INDIANA STATE CHAMBER OF COMMERCE IN OPPOSITION TO H. R. 2202
AND SIMILAR FULL EMPLOYMENT BILLS

Submitted to the Committee on Expenditures of the United States, House of Representatives

The Indiana State Chamber of Commerce respectfully submits to the Committee on Expenditures of the United States, House of Representatives, this summary statement of its appraisal of H. R. 2202 and similar legislative proposals embodying the principle of assumption by the Federal Government of direct responsibility for full employment of the Nation's people.

The Indiana State Chamber of Commerce is opposed to the type of legislation represented by H. R. 2202 because of the dangerous implications of writing into law the doctrine that every person is entitled to a job from the Government—if perchance he fails to obtain one to his liking elsewhere—regardless of whether he has the willingness or ability to produce enough to justify the pay which it is proposed that he shall receive.

The mechanics of this proposed legislation are unworkable as means of long-range assurance of full employment for numerous reasons that have been ably presented to this committee. Enactment of the legislation therefore would place the Federal Government in the position of having assumed the responsibility of assuring and, if necessary, providing a job for everyone in the labor market—while it lacked a workable means of carrying out such a responsibility.

As a consequence of this dilemma, it logically may be anticipated that the legislation simply would become the starting point for more and more steps toward rigid governmental control of employment and the movement of labor.

We know that no government can guarantee the individual a job without also dictating to the individual what kind of a job he is to have; where he is to work; how much he is to make, and very largely what he is to do with his money. It naturally follows that the Government must tell the employer what he is to produce, how much he is to earn, if anything, and whom he shall employ.

That would represent a degree of regimentation wholly unacceptable in this country.

The proposed "full employment" legislation attempts to set up a "right to a job" by governmental guaranty on the same general basis as the Bill of Rights already in our Constitution. The rights embodied in the Constitution are all liberties. They are not extensions of the power of government. They are limitations and restraints placed upon the power of government.

If the right to work were put on the same basis as the freedoms already guaranteed in the Bill of Rights, no one could have any quarrel with the principle. But what is meant here is something quite different. By the individual's right to a job is meant that the Government itself should guarantee him a job and, if necessary, provide the job. This is an extension, rather than a limitation, of the power of government, and therefore a fundamental departure from the concept of human rights defined in the Constitution.

These basic objections to H. R. 2202 apply with virtually equal force to the companion legislation as modified by action by the United States Senate. An unsound principle of government is established which cannot be put into effect

either by the mechanics provided in the proposed legislation or by any other procedure acceptable to the American people.

In its application, functioning of the proposed legislation would depend primarily on statistical premises which inevitably would be inaccurate. This alone would doom it as being the practical answer to the objective of high employment, which everyone wants to maintain.

But it would turn loose forces to impede the natural flow of employment opportunities.

Because of its implications of economic and social regimentation, it would cause Indiana employers—and employers throughout the country—to be more conservative with their present venturesome plans for expansion of production and employment.

It would cause municipalities of Indiana and other States, which are in a far more solvent financial condition than the Federal Government, to hold back on useful public improvement programs in the hope that the Federal Government would bear the costs in order to bring about full employment.

It would appear to say to entirely too large a share of the working population that "you don't need to look for a job or take one that doesn't entirely suit you—wait around and get a soft one with Uncle Sam."

That, in our belief, would be the real effect of the passage of H. R. 2202 or similar legislation.

The proper function of government is to do the things within its power to produce a healthy climate for a high level of employment—and not to attempt to extend a guaranty of full employment, which, in the process, destroys the climate.

STATEMENT OF MONTANANS, INC.

Montanans, Inc., representing the business and agricultural interests of the State of Montana, desire to express their wholehearted opposition to H. R. 2202, introduced by Congressman Patman, and customarily known as the full-employment bill.

We believe that the methods proposed in this bill to establish a permanent federally controlled system of compensatory spending, are repugnant to all the people of Montana who understand what the measure seeks to do.

We believe that the cause of genuine full employment would, in the long run, be injured rather than helped by the passage of this measure.

Enactment of the proposed legislation would, in effect, place upon the Federal Government the primary responsibility for providing jobs for all who are able to work. Whether a system of Government-guaranteed jobs can operate with greater success in the United States than it has operated in Germany, Italy, Russia, and other totalitarian nations where it has been or is being tried, depends largely, we believe, upon the extent to which the American people are willing to limit or curtail their traditional American freedom of individual action and choice. We cannot envisage the American people thus selling their birthright.

We believe that the objective of full employment under our American democracy can only be realized by intelligent, long-range teamwork between business, labor, and Government in planning and maintaining full production. Government can play its most effective part by taking steps to create an atmosphere favorable to the development and expansion of private enterprise, in a manner that will assure fair treatment to management, labor, and the general public alike.

We oppose House bill No. 2202 because, if enacted, it will produce results which, in the long run, will be directly opposite those which are promised in its preamble.

It will impair, not promote, the general welfare of the Nation; it will destroy, not protect, the American home and the American family; it will wipe out the concept of free government for which our American servicemen fought; it will lower, not raise, the standard of living of the American people; it will corrupt our natural resources; it will encourage a spirit of aggressive nationalism in our intercourse with other nations; it will destroy, not strengthen, American free enterprise, and particularly small business enterprise; it will weaken our national security; and it will weaken the foundations of international peace.

We respectfully urge that your committee oppose this measure.

TESTIMONY ON FULL EMPLOYMENT ACT OF 1945 (MURRAY FULL EMPLOYMENT ACT, S. 380)

Presented by Glenn Gardiner, vice president, New Jersey State Chamber of Commerce, and vice president, Forstmann Woolen Co., Passaic, N. J.

This proposed legislation is undoubtedly based upon a fundamental need which all of us recognize—the need for providing employment for all those who are willing and able to work. The method suggested in this legislation, however, is outlined in such general terms as to make it susceptible to very dangerous interpretations in actual practice.

For example, the determination of "full employment volume of production" is not very specifically delineated, and there certainly will be wide differences of opinion as to what actually constitutes "full employment." Ever since Mr. Roosevelt originally pledged 60,000,000 post-war jobs, it has been assumed very widely that unless we provide 60,000,000 full-time jobs, we will be falling short, and under this legislation, we will get back into another boondoggling era.

Let us examine this 60,000,000-job idea:

According to estimates of the United States Census Bureau, our population in 1946 will be 140,000,000. The question arises as to how many of these 140,000,000 people will want a job, how many will be able to work, and how many will need to work.

To begin with, the 33,300,000 under 14 years of age, and the 11,200,000 others who will be in school, will not be in the market for jobs.

There will be 30,400,000 housewives, and former women workers, who will not be looking for employment.

In the population, there will be 8,800,000 who are 65 years of age or over.

There will be an estimated 2,500,000 undesirables who don't want to work at a job, including confidence men, racketeers, and ordinary bums.

Another 1,800,000 will include inmates of penal institutions and hospitals for mentally defective and permanently disabled or chronically ill people who will not be available for jobs.

An estimated 800,000 will take up residence abroad.

Another 80,000 will voluntarily retire at age 60.

A force of 2,380,000 has been estimated as necessary to be held in the armed forces.

If we add all of these groups and subtract the total from the 140,000,000 population, we will have a probable postwar labor force of 48,740,000 people.

That would be approximately 5,000,000 more than were employed in 1940.

From these calculations, it would appear that if we provided 48,740,000 postwar jobs, we would have a job in the United States for every person who wanted to work or was able to work. As a matter of fact, even if you want to discount the figures above, it is apparent that 50,000,000 or 52,000,000 jobs would undoubtedly more than meet the requirements of full employment. Still, a lot of people who have gotten this 60,000,000 job fallacy firmly fixed in their minds, will want, under the proposed Murray Full Employment Act, to have a "national budget" provide for a considerable increase in jobs through public-works programs and other "made" jobs.

We fear that if the Murray bill is enacted, there never will be a time when there will be enough jobs for the so-called full employment as provided for in the bill.

A widely held misconception is the proportion of jobs which industry can normally supply in relation to the total jobs in the country. Statistics show that less than 25 percent of the jobs on which people are normally gainfully employed are in industry. The Murray bill is worded in such a way as to regulate industry, but by the very nature of things, cannot effectively regulate that wide area of occupations which includes the farmer, the one-man business, the service occupations, and a great list of miscellaneous jobs performed by people who are not part of the personnel of important companies. Thus, industry too often takes the blame for unemployment and strait-jacket legislation is provided to control and plan the work of industry, whereas less than one job out of four is susceptible to direct regulation of industry. Of course, what hampers industry is reflected in multiplied degree in the many occupations of all kinds which are directly or indirectly dependent upon industry.

For all of these reasons, we believe that the Murray Full Employment Act should be vigorously opposed in the sincere belief that it will create conditions

which destroy the incentive and the opportunity for the job creators to expand and maintain actual full employment.

We believe that much more constructive help can be given by Government if it will interfere less with the detailed planning of the Nation's jobs, and if it will permit business to create jobs.

GLENN GARDINER.

To Commercial Organizations:

Your attention is called to the following report with the suggestion that perhaps your organization may be disposed to take similar action.

B. COLWELL DAVIS, Jr., *Executive Secretary.*

NOTICE.—This report was mailed to all members of the chamber 5 days before the meeting and copies were also placed in the hands of each member attending the meeting, when opportunity was given for discussion. The vote thereon therefore can fairly be said to represent the opinion of the entire membership. The meetings of the chamber are attended by three or four hundred members.

CHAMBER OF COMMERCE OF THE STATE OF NEW YORK

At the regular monthly meeting of the Chamber of Commerce of the State of New York, held October 4, 1945, the following resolutions and report, submitted by its subcommittee on postwar conditions, were adopted:

REPORT ON THE FULL EMPLOYMENT BILL

To the Chamber of Commerce:

The subcommittee on postwar conditions offers the following resolutions:

"*Resolved*, That the Chamber of Commerce of the State of New York hereby reaffirms its action at the monthly meeting on March 1, 1945, opposing the enactment into law of the Murray bill, S. 380, or similar legislation, providing that the Federal Government shall assume a duty to provide jobs sufficient to achieve 'continuing full employment'; and be it further

"*Resolved*, That copies of this report be sent to the President and Members of Congress."

At the March 1945 meeting of the chamber, it adopted unanimously the report of this subcommittee opposing the enactment into law of the Murray bill, S. 380, commonly referred to as the full-employment bill. In that report we took the position that it was not a function of Government to assume responsibility of jobs for everybody. We pointed out that such a responsibility cannot be met without a change in the character of our Government from that of a representative democracy operating in a free competitive economy.

The public discussions of this bill since the date of our March report leads us to reaffirm the principles we set forth therein. Those who support the bill appear to rest their argument on what we believe to be two fallacious premises. The first of these is the acceptance of the theories of Lord Keynes, that economic prosperity is the result of spending and that to increase production and jobs all that is necessary is to increase spending power whatever the source of that spending power may be. The theory implies that spending power may be increased to whatever extent appears to be necessary by the issue, either disguised or undisguised, of fiat paper money. The second fallacious premise is that, having made an estimate of total prospective spending, which at best would be subject to a large margin of possible error, it is possible to deduce therefrom the number of productive and income-paying jobs.

It is true that the bill provides only for the preparation of a so-called national budget and the making of recommendations to Congress on the basis of the facts deduced from such budget. Congress would still have to decide the measure it proposed to adopt whether such measures were increased Government spending or something else. A Government policy of this character will be fraught with great danger to the Nation. Only a totalitarian government can assume and possibly fulfill the responsibility of directing all economic activities and providing jobs for everybody. Such a Government means a low standard of living.

Hearings have been held on S. 380, introduced by Senator Murray on behalf of himself and Senators Wagner, Thomas, and O'Mahoney. These hearings have been held before the subcommittee of the Committee on Banking and Currency, and the bill is expected soon to be before Congress.

The bill attempts by law to insure the right to a useful and remunerative job. Of course, everyone will agree that it is desirable to enjoy a useful and remunerative job. There are many other things which one or another of us may consider desirable. The question is, does every citizen have a right to these things and if so, what kind of a right is it?

The bill by section 2 (b) states: "All Americans able to work and seeking work have the right to useful, remunerative, regular, and full-time employment, and it is the policy of the United States to assure the existence at all times of sufficient employment opportunities to enable all Americans who have finished their schooling and who do not have full-time homekeeping responsibilities freely to exercise this right."

It is difficult to conceive a more unfortunately worded and misleading statement of policy. It is misleading because there is a failure to define the kind of occupations and remunerations which would satisfy the above description; and because it assumes that Government can assure at all times employment opportunities satisfactory to everyone.

Jobs are not homogeneous like grains of sand. They are almost infinite in variety, calling for widely differing skills and education. A drop in employment opportunities in one category cannot be immediately offset by an increase in opportunities in some other.

The Budget, which by section 3 the President is directed to prepare, would have little significance unless detailed in the kinds of employment opportunities available and supply of workers whose training fit them to fill such opportunities. The time involved in gathering and interpreting such statistical data, and the determination and putting into effect of Government employment designed to offset a deficiency of employment opportunities in any category, would be such that by the time the recommended remedy became effective, the conditions on which it was based would in all probability have radically changed.

Aggregate volume of investment and expenditure is not a valid measure of the number of persons such investment and expenditure will employ. It would be necessary to know in considerable detail the character of the investments and expenditures which make up the aggregate. Forecasting in detail future investments and expenditures would involve estimates subject to a wide margin of error. The Government has not been very successful in forecasting 18 months in advance its own expenditures. Superimposed on such a doubtful estimate, there would be a further estimate subject also to wide error of judgment of the employment opportunities such estimated investments and expenditures would provide.

The bill would create a large bureaucracy calling for millions of questionnaires which would finally present to Congress reports of doubtful value on which to frame remedial legislation.

A totalitarian government telling everyone at what job he must work, how he may invest and on what he may spend (all governments in time of war are to a large extent totalitarian) may be able to provide everyone with a job. No democratic government which leaves to the individual freedom to choose, can fulfill any such obligation. As the largest single employer, the Federal Government, by timely varying the number of employment opportunities it offers may temper somewhat the rigors of the fall and rise of private employment opportunities. It cannot, as this bill provides, completely offset such fall and rise.

In the long run, except for those things which only Government can provide, private enterprise can provide for all needs of the people limited only by the existing capacity of the people to produce. It will function at maximum practical capacity when there exists a balanced relation in the respective amount of the various goods and services produced and in the interrelation of their respective costs and prices. For a variety of causes such balance is never perfect, and from time to time becomes more or less imperfect, resulting in what we used to call "good times" and "bad times," and now refer to as "full employment" and "unemployment." Such fluctuations are inevitable. They are the price we pay for freedom. "Unemployment" is a symptom not a cause. When it appears, it should be a signal to all of us that production, costs, and prices are unbalanced. It means that all of us must readjust to restore the balance. Entrepreneurs have to readjust costs and prices to market their products. Workers must seek employment where it exists at a remuneration which permits the necessary cost adjustments. Anyone or group who by monopolistic, economic, or political power seeks to avoid the necessary adjustments, retards recovery and prolongs the period of unemployment.

We cruelly delude ourselves when we believe that Government by law can relieve the obligation resting on everyone of us to make the necessary adjust-

ment. All that Government can do is to see to it that its policies, fiscal and social, do not block or impede the adjustment, and that acting as a "policeman" it does not permit combinations of either entrepreneurs or of labor to likewise block or impede the adjustment.

There is no more dangerous idea to our freedom than that everyone has a "right" to a job. If such "rights" existed it would mean that someone has a corresponding obligation. No such obligation exists. Opportunities for employment are the result of the desire of all of us for goods and services and the freedom of selection as to what we all of us want. To take a very simple illustration, one might like to employ two domestic servants and would employ two if their wages were \$15 per week each, but because prevailing wages are \$30, employs only one. It would equally violate all fundamental liberties if one were by law obligated to employ two servants at \$30 per week each, or if the two servants were obligated to work for \$15. Yet there we have a case where there exists employment opportunity for one or two jobs dependent upon the relationship of wage rates to the employer's income.

We fail to see the forest because of the trees. We fail to understand relatively simple economic laws because of the complexity of modern society. Jobs are the result of willingness to work to produce what others want at a price they are willing to pay. On these terms jobs will always be available. On any other terms jobs for all cannot be made available by Government or anyone else. For a long time we have acted as though this basic economic law did not exist. In some quarters of late it has been asserted that the people will not tolerate the number of unemployed we had in the early 1930's. It is said industry must provide the jobs or else. Along that line of thinking lies only disillusionment and disaster. It is time we returned to a realization that economic laws cannot with impunity be violated. We can prosper only by conforming to them. If we fatuously assert rights which do not conform, we are headed not only for national disaster, but probably also to the loss of the fundamental freedom on which this Nation was created and for the preservation of which the war was fought.

Your subcommittee has perused the extended hearings before the subcommittee of the Committee on Banking and Currency on the Full Employment Act of 1945. There was general agreement that full employment of our working population was desirable, but among the many witnesses who appeared at the hearings, none in their testimony offered an answer to the various problems set forth in this report. The fact is, there is a tremendous emotional appeal back of the slogan of "Jobs for everybody." Jobs are, however, a result of business activity. The Government can contribute to high business activity by (1) putting its own fiscal operations in order, (2) by adopting tax laws which do not repress business activity, and (3) by adopting rules of the game to allow freedom of competitive enterprise. Only a totalitarian government can assume and fulfill the responsibility of directing all economic activities and providing jobs for everybody. But such a government is completely opposed to the announced purpose of S. 380 "to foster free competitive enterprise and the investment of private capital in trade and commerce."

Respectfully submitted.

H. BOARDMAN SPALDING, *Chairman*,
ROBERT M. FIELD,
JAMES T. LEE,
ROBERT F. LOREE,
GILBERT H. MONTAGUE,
Subcommittee on Postwar Conditions.
LEROY A. LINCOLN, *President*.

Attest:

B. COLWELL DAVIS, Jr.,
Executive Secretary.

NEW YORK, October 4, 1945.

STATEMENT BY ROBERT B. HEPPENSTALL, PRESIDENT, PENNSYLVANIA STATE CHAMBER OF COMMERCE, AS PRESENTED TO THE COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS, IN THE NATIONAL HOUSE OF REPRESENTATIVES, OCTOBER 17, 1945, ON H. R. 2202, DESIGNATED AS THE FULL EMPLOYMENT BILL

The Pennsylvania State Chamber of Commerce, comprising a membership of approximately 3,500, including State-wide and local business organizations and virtually all types of business establishments in Pennsylvania, opposes enactment of the so-called full employment bill, H. R. 2202.

Enactment of this legislation would tend to introduce new policies and procedures in our national economic operations, touching and affecting all communities in the country, with the final threat of further subordination of the States to the Federal Government and complete concentration of economic and industrial control in Washington.

This bill would revive and greatly expand economic planning procedures in the Federal Government, generally similar to those advocated by the former National Resources Planning Board definitely abolished by Congress in the Independent Offices Appropriation Act of 1944. It would greatly increase the numbers of Federal employees to engage in the "planning" activities and doubtless release a new and endless flood of Federal questionnaires directed at business establishments throughout the country.

This proposed legislation would commit the National Government to a job-providing policy, declared to be impossible of accomplishment under our present form of government, and would perpetuate the policies of deficit spending, of heavy tax impositions, and vast borrowings, to throw the Budget further out of balance and increase the national debt now approaching \$300,000,000,000.

Full employment is, of course, a most desirable objective from the viewpoint of business—employers and employees—and Government; but it would most certainly seem that congressional efforts to attain such objective should be through economies in Government operations, reduction of taxes, elimination of regimentation with encouragement of business enterprises, large and small, rather than through speculative projects that may lead to even greater public deficits.

For the reasons herein presented the Pennsylvania State Chamber of Commerce opposes enactment of H. R. 2202.

ORGANIZED BUSINESS, INC., OF SOUTH CAROLINA,
Columbia, S. C., October 12, 1945.

HON. CARTER MANASCO,

*Chairman, House Expenditures in the Executive Departments Committee,
House Office Building, Washington, D. C.*

MY DEAR CONGRESSMAN MANASCO: Organized Business, Inc., of South Carolina representing in its membership over 10,000 business enterprises covering every phase of the agricultural, merchantile, business, and industrial interests of the State, is opposed to the enactment of H. R. 2202 known as the full employment bill for the reason that the enactment of such legislation would require the exercise by the Federal Government of unlimited control over employment, wages, hours, working conditions, prices, and production, none of which can be achieved without complete regimentation of business, agriculture, and labor.

We vigorously urge that you and the members of your committee support our position in this most important matter.

We shall be most appreciative having your reactions.

With all good wishes, I am,

Cordially yours,

ASHLEY C. TOBIAS, JR., *President.*

SOUTH TEXAS CHAMBER OF COMMERCE, INC.,
San Antonio, October 11, 1945.

HON. CARTER MANASCO,

*Chairman, House Committee on Expenditures,
Washington, D. C.*

MY DEAR CONGRESSMAN: This organization desires to register its opposition to the Patman bill (H. R. 2202) as now drawn.

In our opinion as the bill stands it is a series of assertions which do not take realities into consideration. It outlines a compensatory economy program, the soundness of which has been challenged repeatedly by many of our most responsible economists. It does not give consideration to the increase of the Federal debt and under its plan we could very easily pile up such a series of deficits that the public credit might collapse. Undoubtedly it would greatly decline the flow of capital into new enterprise. There is nothing in the plan which indicates how much Government spending will be necessary.

Although this bill expresses an aim and purpose to utilize private enterprise in carrying out the proposed program, the facts are that if this bill were to become law the probable effect would be to discourage rather than encourage private enterprise and decrease rather than increase non-Government employment.

We believe that if our Government officials really desire to encourage private enterprise and private capitalism they should foster private competition. The Government should not compete unfairly with private enterprise. It should encourage hard work, prudence, saving, and self-reliance, and cease to cultivate the theory that the Government owes all citizens a job and a living and that self-reliance is no longer a virtue.

An important question presented to the people of this country by this bill is whether their thinking and activities are to continue in the direction of preserving and enlarging the freedom of the individual or whether they are to follow those of Socialist and Communist nations abroad.

Very truly yours,

RAY LEEMAN, *Executive vice president.*

THE VERMONT STATE CHAMBER OF COMMERCE,
Montpelier, Vt., October 13, 1945.

HON. CARTER MANASCO,
*Chairman, Committee on Expenditures
in the Executive Departments, Washington, D. C.*

DEAR CHAIRMAN MANASCO: We are opposed to the passage of H. R. 2202. We recognize the opportunity of the Federal Government to assist the alleviation of cycles of widespread unemployment by timing the construction of necessary public works to coincide with periods of unemployment. As a national policy, we approve.

We disapprove, however, the enactment of legislation which declares that it is a legal right of any citizen to demand of the Federal Government that he be provided with a job. Such a principle is foreign to the basic philosophy of private enterprise and initiative.

The assumption by government of full responsibility to make jobs for everyone necessarily implies that the Government must manage and direct the operation of all business enterprise. Such is implicit in the bill even in spite of high-sounding phrases denying the right of government to coerce.

These implications are too dangerous to be tolerated by those who still believe that the greatest happiness and progress of our people are best accomplished through our system of private enterprise and endeavor.

Yours very sincerely,

HAROLD P. PARKER, *President.*

STATEMENT OF THE WEST VIRGINIA CHAMBER OF COMMERCE, CHARLESTON, W. VA.,
IN OPPOSITION TO H. R. 2202, THE FULL EMPLOYMENT BILL

Presented to the Committee on Expenditures in the Executive Departments,
House of Representatives, Washington, October 17, 1945

Gentlemen of the Committee:

The West Virginia Chamber of Commerce, an organization composed of nearly 1,000 of the principal enterprises in the State of West Virginia, employing more than three-fourths of the industrial population of the State, desires to be recorded in opposition to the enactment of H. R. 2202.

We oppose enactment of this measure on the ground that it contemplates a fundamental change in the character and responsibilities of our Government. It is also opposed on the ground that its provisions cannot be enforced nor its objectives attained. Therefore its enactment invites frustration and discord among our people.

A governmental guaranty of full employment must necessarily be accompanied by a guaranty of full consumption, which latter guaranty can be met only at the sacrifice of maintaining our national solvency.

The fallacy of the broad proposal to guarantee full employment by means of forecasting business trends, is illustrated by the fact that Federal authorities,

in presenting the annual budgets to Congress during the most recent 10-year period, 1935-44, have had, as we are informed, an average annual error of 150 percent in estimating the net deficit. There is no apparent reason to hope that performance in this field will be better in the future than it has been in the past.

The West Virginia Chamber of Commerce, and its members individually and collectively, heartily support the ideal of regular employment for all available workers at useful jobs and at sound wages. Under these conditions, business is prosperous and workers contented. But attempt on the part of government to guarantee full employment as proposed in H. R. 2202 will, in our opinion, discourage rather than promote a high rate of employment in private enterprise, the foundation of our economy.

Respectfully,

R. S. SPILMAN, *President.*

TESTIMONY OF EMMERT L. WINGERT IN BEHALF OF THE WISCONSIN STATE CHAMBER OF COMMERCE BEFORE THE HOUSE COMMITTEE ON EXECUTIVE EXPENDITURES, H. R. 2202, OCTOBER 17, 1945

To the Committee on Expenditures in the Executive Departments:

For the record, my name is Emmert L. Wingert. I am an attorney practicing at Madison, Wis., and am counsel for the Wisconsin State Chamber of Commerce in matters relating to social security and labor relations.

The Wisconsin State Chamber of Commerce opposes bill H. R. 2202, with the earnest conviction that its enactment would be seriously detrimental to the well-being of the American people.

We think the bill is unworkable. Its basic assumption that a program of Federal action to keep the economy of the Nation working at concert pitch can be developed annually on the basis of estimates of current and prospective labor force, private and governmental investment and expenditure, price levels, and volume of additional expenditure needed to produce a given volume of employment, is fallacious. The complexities and uncertainties of our vast national economy, with its hundreds of thousands of units, are so enormous, the available data so inadequate and confusing, and economic behavior so unpredictable, that it would be impossible to make the required estimates with enough accuracy so that a sound program could be based upon them. Far-reaching policies would have to be adopted on the basis of a series of guesses.

The bill does not meet the problem of economic timing. The lapse of time between the making of the national production and employment budget and congressional enactment of a program which would require at least 6 months and probably much longer, would generally witness such changes in the underlying economic factors that by the time the program was enacted the economic picture might be very different. Business changes come rapidly and Congress moves slowly, as it must if it is going to remain democratic.

A program of Federal action based on miscalculated or obsolete estimates or on misinterpretations of obscure data, would be likely to do more harm than good.

It has been well said that "the pattern of economic relationships is so complex, slow-moving, and in some parts obscure, and the data themselves inevitably lag so far behind the events, that a corner ordinarily cannot be recognized until several months after it has been turned. Hence the machinery proposed in this bill might well result in Government spending at the wrong time—that is, at such time as to enhance inflationary pressures."

The bill is based on a fallacy, i. e., that there can be full employment everywhere at all times in a free economy. It overlooks the fact that there must always be some unemployment if people are to remain free to move from job to job and if capital is free to try new ventures and take new risks.

The bill apparently gages full employment as that situation which exists when there are exactly as many or more opportunities for employment than there are unemployed persons, but it makes no attempt to define what constitutes an unemployed person, particularly in the light of such factors as part-time workers, the self-employed, and similar factors. The permanent creation of more jobs than people seeking jobs will not only draw into the labor force many who should be at school, retired, or otherwise engaged, but also will create such inflationary forces that absolute Federal control of the Nation will become imperative and permanent in the end.

The bill fails to cope with such issues as regional dislocations of employment,

degrees of skill and aptitude, unemployment through management-labor disputes, and similar questions. If we have an unfilled demand for workers in Texas and a surplus of unemployed workers in New England, are these simply to be balanced off on the budget or are we to use Federal money to transport New England workers to Texas or, if the latter decline this Federal transportation subsidy, what then? Are we to start a PV program in New England and let Texas suffer with labor shortage, possible inflation, and like factors? If we have need for textile workers but have an oversupply of unemployed machinists, are we again to balance this off one against the other, or are we to use Federal funds to get machinists to work and let the textile shortage "go hang"—or are we to try with Federal funds to train machinists to operate textile looms? And what about seasonal shifts in employment? Are we to provide such a plethora of job opportunities that all shall be employed at all times and that there will be no slack available to handle seasonal crops, to take care of seasonal bulges in shipping and transportation, to meet the peak demands which arise at times through some of the so-called act-of-God causes—epidemics, flood, fire, and the like?

Enactment of the bill would give rise to expectations that cannot possibly be fulfilled even with the most drastic Government controls. It would tend to create the belief on the part of the workingman that he is entitled to a job at Government expense regardless of his productivity or the demand for his product; and the tendency would be to consider himself entitled to a particular job at a particular place and at a particular wage. If the Government is to underwrite jobs, it must inevitably seek control of manpower, job placements, investments, starting of new enterprises, etc.

The bill would be inflationary in effect. Notwithstanding the purported safeguards, it would be almost certain to result in frequent embarkation on large-scale Federal spending programs—the familiar "pump priming" under a different guise. It is probably too much to expect that a President would attempt to stop a boom by advocating a deflationary policy, but on the other hand some unemployment could always be found to give apparent justification for a spending program. Political pressures to that end would be well-nigh irresistible.

Experience in the 1930's has shown that Federal spending is not the panacea for the ills of the economy in general or for unemployment in particular, but on the contrary is likely to depress business activity and thus depress employment.

In operation the bill would tend to depress rather than promote the functioning of private enterprise and would thus tend to reduce rather than augment the volume of employment opportunities. Notwithstanding its expressions about the fostering of free enterprise, the bill contemplates Federal spending as the panacea for unemployment and carries the threat of higher taxes, increased Government debt, inflation, and ever-greater Government interference in business. This threat is well calculated to diminish that confidence in the future possibilities of legitimate profit in private enterprise which is so essential to an expanding volume of private enterprises.

The bill will necessarily result in increased intervention of Government in business and increased Government control of the economy. It visualizes in essence a "planned economy" under which a corps of "experts" in the executive department will determine the needs of the economy and prescribe therefor. Attempts to plan the economy inevitably result in more and more drastic controls and lead to a vicious spiral of more and more Government intervention and control, moving toward the all-powerful authoritarian state.

While the program recommended by the President can take effect only if enacted by Congress, Congress would be largely at the mercy of the statisticians in the executive department. Congressmen are too busy with too many important matters to be able to go behind the estimates presented by the President's experts and satisfy themselves independently as to the validity of the bases on which the program is recommended. The time element would prevent careful scrutiny, because if a program based on estimates for a year in advance is to be effective, obviously action must be taken before that period is largely past.

In short, the bill would tend to aggrandize the Federal Government at the expense of the States and municipalities and private enterprise and to aggrandize the executive department at the expense of Congress and the people.

For these reasons, the Wisconsin State Chamber of Commerce respectfully urges the committee to withhold its approval of bill H. R. 2202.

The CHAIRMAN. The next witness is Dr. Walter E. Spahr, speaking on behalf of the National Association of State Chambers of Commerce.

**STATEMENT OF WALTER E. SPAHR, PROFESSOR OF ECONOMICS,
NEW YORK UNIVERSITY, NEW YORK, N. Y., ON BEHALF OF
NATIONAL ASSOCIATION OF STATE CHAMBERS OF COMMERCE**

Mr. SPAHR. Chairman Manasco and members of the committee, the National Association of State Chambers of Commerce has asked me to appear before this committee to present my views as an economist on the full employment bill now under consideration.

Mr. COCHRAN. Just a moment at that point. Are you a member of this organization?

Mr. SPAHR. No; I have no connection with the organization.

Mr. COCHRAN. They just simply asked you to appear and speak for them?

Mr. SPAHR. Well, it was hardly as simple as that. I think my next statement will make that clear.

Mr. COCHRAN. I understand, but I would take it you will make a statement based largely upon your own opinions. Let me put it this way: Did you attend the meeting where this discussion took place, and did you hear the views of the various members of this organization expressed?

Mr. SPAHR. I did not attend the meeting, I did not hear the views expressed, but I did go over the material which was furnished me and determined their views to that extent in that manner.

Mr. COCHRAN. It seems to me it would be a very unusual procedure for a businessman to go outside of his organization and secure an individual to come and speak for them when he has not attended a meeting at which the conclusion was reached.

Mr. SPAHR. My next sentence, if I may be permitted to give it, I think will answer you very definitely as to that matter. Now, of course, it is a matter of procedure. This connects up, and I think it will be clear if we approach it that way.

Mr. RESA. May I interrupt to ask this question: How many of the officers are referred to in this sentence?

Mr. SPAHR. I was contacted by the officers of the national association, and I do not know how many of those men read this article, or the pamphlet.

Mr. RESA. Do you know that more than one read it?

Mr. SPAHR. Of my own personal knowledge I do not know, and I could not say definitely.

Mr. RESA. Or that anyone did. So that the statement that some of their officers read it may or may not be an accurate statement?

Mr. SPAHR. That was the statement that was given to me, that their officers had read it, and I accepted that statement at face value.

Mr. RESA. Does that refer to officers of the National Association of State Chambers of Commerce, themselves?

Mr. SPAHR. Yes, it refers to the officers of that organization.

Mr. RESA. It does not refer to the officers of the State chambers of commerce themselves?

Mr. SPAHR. Congressman, I understood that they had passed copies of my article out before they asked me to come down to speak for them, and that the conclusions that I had expressed in there were coincidental with the conclusions that they had arrived at, and it was for that reason that they asked me to appear.

The CHAIRMAN. At this time, Dr. Spahr, let me ask you this question: Mr. Charles A. Eaton, Jr., the president of the National Association of State Chambers of Commerce was responsible for your being here?

Mr. SPAHR. That is quite true. It came about in a regular orderly way.

The CHAIRMAN. And did Mr. Eaton advise you, speaking in his official capacity as president of that organization, that Dr. Spahr's pamphlet had been read and recommended by the National Association of State Chambers of Commerce?

Mr. SPAHR. He certainly did. He told me that.

Mr. EATON. May I say a word there? Maybe I can explain this.

The CHAIRMAN. You may proceed, Mr. Eaton. Make your statement.

Mr. EATON. At the meeting of the State Chambers of Commerce here in Washington on September 26, 1945, this measure was discussed, and it was agreed that we would invite Dr. Spahr to speak for us, if he were available to do so, in the light of the fact that we had gone over the statements which had been set forth in one of his pamphlets, a pamphlet that we read and had read with considerable satisfaction and approval, and in fact it represented our views. It just so happened, however, that it was expressed better than we could express it.

Mr. COCHRAN. Have you read Dr. Spahr's statement, Mr. Eaton?

Mr. EATON. Oh, yes; oh, yes. I have read it, I have gone over it most carefully. The National Association of State Chambers of Commerce would not present anyone here, unless they had made absolutely certain that the views that they would express were, in fact, the views of that association.

Mr. COCHRAN. Do you know whether the presidents of the various State organizations have read it?

Mr. EATON. I am not at liberty to give an absolute statement on that. I would say that at the meeting in Washington, those were present, those members were present, they would be the officers of those associations, and of course they had read it.

Mr. COCHRAN. I am very anxious to hear Dr. Spahr, but it is a most unusual procedure, for an organization such as yours, where you have a large number of States belonging to it, and you cannot have one of your own members come here and speak for you on this question. You bring in a gentlemen to make a statement to this committee for your organization.

Mr. HOFFMAN. The men who appeared yesterday, the difference is that they simply read off something that was prepared for them, whereas this gentleman is here representing his clients' views, and that he says is his own statement, which I assume they employed him to make and which they approved. He is subject to examination.

Mr. BENDER. I would like to make a comment here, Mr. Chairman. Can we not bring him in on his own behalf? That is perfectly all right with me.

The CHAIRMAN. That is satisfactory to me. I think that our committee is entitled to have the benefit of the views of some experts on this bill. We need some experts to express their opinions on this bill. We have had the views of a lot of people who have just come up here and have said what they thought about it, say that they want to have

full employment, and none of them have really paid very much attention to the bill itself, and they do not know whether this bill will give full employment. We want to find out what the virtues of this bill are and we want to find out what the evils, if any, of the bill are, and really get something that will mean something about it.

Mr. RESA. Mr. Chairman, I have not finished the question that I intended to ask the gentleman.

The CHAIRMAN. Mr. Resa, will you please proceed with your question?

Mr. RESA. Let me say that I have this point of view: I do not care who comes here, or what he says, pro or con, but I do insist upon knowing whom he represents. I think we are entitled to know that.

The CHAIRMAN. In order to avoid any embarrassment on the part of anybody—if there can possibly be any—I will assume the responsibility of inviting Dr. Spahr here at my request.

Mr. COCHRAN. And let the record show that?

The CHAIRMAN. Yes; I will take the situation in hand now, and I will have him appear here at my invitation.

Mr. COCHRAN. I am satisfied. They have gone outside of their own organization to bring somebody here.

Mr. EATON. If I could correct the record there, Dr. Spahr is familiar with the views of the National Association of State Chambers of Commerce, and the views he expresses here are the views of the National Association of State Chambers of Commerce. Otherwise we would not have brought him here. There was nothing irregular about it that I can possibly see.

The CHAIRMAN. I will take the responsibility of inviting Dr. Spahr to speak. We have invited quite a few people to speak here, who have been invited by the committee itself, and this will be one more.

Mr. COCHRAN. I think we should remember that there are other members of this committee, and it looks to me you should let the other members of the committee know who is being invited, and let them have something to say about it.

The CHAIRMAN. I have consulted with a good many members of the committee, and they told me that we should have some economists, some of the outstanding economists of the country—and we all know that Dr. Spahr has come here and talked to us on this bill. I think I can speak for the majority of the committee when I say that he is appearing here at the invitation of the committee. Mr. Resa, I believe you had something further you wanted to state? Please do so.

Mr. RESA. Mr. Chairman, may I interrupt the interruption of my question? I still say that this statement contains an obvious contradiction which ought to be cleared up. If Mr. Spahr is to testify in his own behalf, and not in a representative capacity on behalf of the National Association of State Chambers of Commerce, I have no questions to ask; but, if he is here on behalf of the National Association of State Chambers of Commerce, then I still want to know whom he represents, and I think that we should have some clarification of that because I think there is, on the very front of this document, an obvious inconsistency. On the cover of this document, it is stated that this is a statement by Walter E. Spahr, professor of economics, New York University, to be presented before the House Committee on Expenditures in the Executive Departments, and on another page it states

that "Dr. Spahr appears before the House committee in behalf of the National Association of State Chambers of Commerce. The association is a national organization made up of 31 State and regional chambers of commerce throughout the United States." Now, obviously, that is in conflict with itself.

Mr. HOFFMAN. Why not read the heading and why do you not read the signature?

Mr. RESA. I should be glad to do so. The heading is "National Association of State Chambers of Commerce, 605 Broad Street, Newark, N. J.," and it is signed by R. B. Skinner, secretary-treasurer.

Mr. COCHRAN. He is not a member of this organization, but a professor of economics in the New York University.

The CHAIRMAN. If Mr. Charles A. Eaton, Jr., president of this organization cannot assume the responsibility of inviting him on behalf of their people, I assume that pleasure and opportunity, and invite him myself on behalf of the committee.

Mr. EATON. Mr. Chairman, our association, on the 26th day of September 1945, met here in Washington, D. C., and we unanimously agreed to invite Dr. Spahr to come here as an economist and expert to speak on this bill, because we want to put some orderly, proper economic views in this record—views in which we are in hearty and whole accord—and we feel that it is just like employing an attorney in behalf of our association, that we were justified in inviting him to participate in this proceeding in the form of an expert since he expresses the views of our association. I do not see anything amiss with that procedure. Perhaps I am in error somewhere.

Mr. RESA. I think it is all right if we know exactly what the situation is. I think it is important that we should know what the situation is.

Mr. HOFFMAN. It is very much like having a representative from the Congress of Industrial Organizations, the CIO, employ a man such as Leo Pressman, a lawyer, to come up and represent them, and I never heard any of these gentlemen object to that; or the A. F. of L. has Mr. Padway come up here and represent it, and Mr. Hines, the gentleman who was here yesterday.

Mr. RESA. In this statement, though, Dr. Spahr says:

I do not presume to express the opinions of the officers and members of the various State chambers of commerce; it is my understanding that officials of some or all of those chambers may make some independent observations if circumstances and time permit.

He further says—

some of their officers had seen my analysis of the full employment bill, S. 380 and H. R. 2202, published in the Commercial and Financial Chronicle of September 27, and also reprinted in pamphlet form, and apparently had sufficient confidence in the reliability of my observations to desire the presentation of my views to this committee for such value as they may have.

It seems to me that it is obvious that he speaks for himself and not for them. I think it is very clear therefore that this gentleman does not speak for these 31 chambers of commerce, State chambers of commerce, throughout the country. If Mr. Spahr will appear pursuant to the invitation of the chairman, then I have no objection.

Mr. HOFFMAN. He is an employee of this organization in appearing here. I think that is a proper representation. What is the difference? When did we suddenly develop a difference on these things?

Mr. RESA. I think we ought to know how we are proceeding and just what is going on. I would like to know at this time who were those 24 State chambers of commerce to which reference is made.

Mr. EATON. I can give those again.

The CHAIRMAN. I do not think that is necessary, they are already in the record.

Mr. RESA. Were the 24 State chambers of commerce attempting to express the views of the entire organization? I understand that there were 31 all together.

Mr. EATON. I will ask Mr. Skinner to answer that. I believe he can give you the answer to that.

Mr. R. B. SKINNER. Mr. Chairman, I am R. B. Skinner. I am secretary-treasurer of the National Association of State Chambers of Commerce. Thirty-one is the total membership, and out of the total there were 25 present in Washington, D. C., and those 25 listed here are the ones that voted to have Dr. Spahr appear here for them, and he is appearing here with their sanction, desire, express approval, and wish, and therefore we know that they know what his views are, and they concur in those views, and as an official of the organization, I want to state that Dr. Spahr is speaking with the full authority of the association behind him.

Mr. RESA. Let us put them in the record at this point. I think it is important to have that in the record at this point.

The CHAIRMAN. Very well; but it is already in the record.

Mr. EATON. It is the list of chambers of commerce that I read beginning with the Alabama State Chamber of Commerce and ending with the West Texas Chamber of Commerce, and I also indicated that the Vermont State Chamber of Commerce, the Arkansas Economic Council State Chamber of Commerce, Idaho State Chamber of Commerce, Montanans, Inc., and the South Texas Chamber of Commerce have registered their opposition and are in sympathy with the views, and those are the views to be expressed here by Dr. Spahr.

The CHAIRMAN. I want the record to show that I read Dr. Spahr's analysis, and that I thought it was a very fine analysis, and I want you to know that at least one person has read it, because I have read it myself.

Mr. EATON. I think it has been pretty thoroughly read by the members of our organization.

Mr. LaFOLLETTE. I am very glad to have Dr. Spahr express himself, but I think that Mr. Resa's question was most important because I think it clarified the situation as to exactly whom he was speaking for.

Mr. HOFFMAN. It seems to me that this would be the same thing as these union men that come in here, certainly when you take all of the men from these local unions who are affiliated with the American Federation of Labor and the Congress of Industrial Organizations, I am sure that neither those members of the A. F. of L. or the CIO have any idea as to whether or not the men who testified are saying anything of which they approve, and are we going to bring them in to find out whether or not they approve of the views which are expressed by their national heads here in Washington or those who come up here and attempt to speak for the national heads. It is obvious that several million members of these unions know nothing

of the testimony and would not have the least idea as to what these men are talking about. So, since you accepted that so easily and it slides down without the slightest difficulty, why are you chafing at this, when this man comes here, and he is accompanied by officers of this organization, and is an employee of them. I, for one, just cannot see your objection, Mr. Chairman.

The CHAIRMAN. Let us get along. I think it is clear.

Mr. COCHRAN. I do not think that is a proper statement; I do not think it covers the point at all. I just want to know what this man's representation is and why he is here, and for whom he speaks. I see nothing unusual in that.

Mr. HOFFMAN. I think the situation is such that there is no reason why we should not hear this witness, Mr. Chairman. We do want to know for whom he speaks.

Mr. LAFOLLETTE. I think that is important. I think that that is a proper thing.

The CHAIRMAN. Let the record show—

Mr. RESA (interposing). If I may interrupt, let the record show that I think we have clarified that.

The CHAIRMAN. I was going to say: let the record show that Dr. Outland, the chairman of the steering committee, submitted to me a list of witnesses that they would like to have appear, and we have requested many of them to appear. We have had one independent merchant who appeared a few days ago, at the request of the steering committee, representing himself alone, and the steering committee. So, I think it is fair to have an economist here who may have views contrary to the proponents of the bill.

Mr. LAFOLLETTE. I think the principal thing is to have the matter clarified as to just what position he occupies here in speaking to this matter.

Mr. COCHRAN. The economists appearing before the committee speak for the organization that is opposed to the bill, and nevertheless he did not attend the meeting and he did not hear the discussion of the members in that regard. I am glad to hear him, but I would like to hear him as a professor of economics of New York University.

The CHAIRMAN. In order to avoid all of this confusion, then, Doctor, you may speak at my request.

Mr. LAFOLLETTE. I would like to say that I am glad to hear any of these experts in this field discuss a matter in which they have some concern, but I also agree with Mr. Resa that I think we ought to know just who they are speaking for, and the circumstances under which they are speaking. Now it appears that there have been some 24 chambers of commerce that he is speaking for, and I would like to ask that they be placed in the record at this point so that we will know who they are.

The CHAIRMAN. Mr. Eaton, did you not give those names before earlier in your statement?

Mr. EATON. Yes, Mr. Chairman; I have already given the names, although I will be glad to give them.

Mr. SKINNER. There are 25 of them.

The CHAIRMAN. Gentlemen, let us have order. Proceed Dr. Spahr, proceed with your testimony.

I think perhaps it would be better for you to begin at the beginning because we have had so much discussion here, and go right along.

Mr. SPAHR: Very well. The National Association of State Chambers of Commerce has asked me to appear before this committee to present my views as an economist on the full employment bill now under consideration. I do not presume to express the opinions of the officers or members of the various State chambers of commerce; it is my understanding that officials of some or all of these chambers may make some independent observations if circumstances and time permit. Some of their officers had seen my analysis of the full employment bill, S. 380 and H. R. 2202, published in the Commercial and Financial Chronicle of September 27, also reprinted in pamphlet form, and apparently had sufficient confidence in the reliability of my observations to desire the presentation of my views to this committee for such value as they may have.

My analysis is concerned with H. R. 2202 as it came before this committee. Following that I shall make a few observations regarding S. 380 as amended and passed by the United States Senate on September 20.

Should the full employment bill, H. R. 2202, become law, and should Congress and the administration seriously attempt to make its provisions effective, the people of the United States apparently will find that something of far greater importance has happened to them than they now seem to suspect.

Although several competent analyses have been made of this bill, their net effect thus far appears to have been extremely limited. Such analyses do not, in general, reach popular periodicals because of the rather heavy and technical character of such studies. The sense of responsibility of reputable and experienced economists in general precludes the type of observation and analysis that makes headlines or appeals to the emotions of people not in a position to weigh properly the provisions and implications of this bill. At the same time, the sponsors of the proposal have the means by which they can largely ignore and smother such analyses while, at the same time, they can give, and have been giving, wide dissemination to glittering statements and plausible propaganda in favor of the proposed program.

Furthermore, the proposals in the bill are presented in a manner that will tend to win approval more or less automatically from laymen and to disarm those who may not read between the lines or grasp the dangerous implications contained in the plan. The principal device employed to accomplish this aim is the incorporation in the bill of a lengthy declaration of supposedly admirable purposes. Such material is in the nature of a preamble; and, should this bill be passed, such material still would not be law despite the fact that it follows the enacting clause. Legislating by preamble, a device that has been employed extensively in Washington in recent years, cannot be defended in legislative law; and it is dangerous because it is used to mislead a trusting public.

It is this preamble type of material that has entered chiefly into the popular discussion of this bill and has been, and is, utilized, because of its emotional appeal, in the organized propaganda now being brought to bear upon the general public and Members of Congress by certain administrative, congressional, and various other pressure groups.

But the major defects or virtues of this bill are not found in the announced purposes. They are in the mechanism designed to provide so-called full employment. And since this mechanism involves complex questions regarding statistical measurements and intricate casual relationships in the economic world, many economists and others opposed to the socialization of our economy fear that the general public may not be in a position to weigh the factual evidence which reveals the merits or dangers in this program. In respect to many, if not most, of the basic assumptions made in the bill, some of our most experienced and reputable economists are entering vigorous denials as to their accuracy or practicability. But regarding this aspect of current appraisals of the bill, the public, generally, seems to be uninformed. The procedure in the Senate Committee on Banking and Currency probably contributed relatively little in giving the general public worth-while and reliable enlightenment on the nature and implications of this proposal. As a consequence, this committee of the House bears, and later the House of Representatives as a whole will bear, a doubly heavy responsibility in getting at the truth in this proposal and in making this clear to the people of this country.

The bill provides for a national production and employment budget, shortened to national budget—a budget which far exceeds in complexity of concept our large and complicated Federal Budget. It is to include the estimated size of the labor force and the estimated aggregate volume of investment and expenditures by private enterprises, consumers, and State, local, and Federal Governments supposedly required to produce the gross national product deemed necessary, at expected prices, to provide full employment opportunities. It is also to contain estimates of the contemplated investment and expenditures of these groups, apart from the national-budget program, including such foreign investments and expenditures for exports and imports as affect the volume of the gross national product.

The President is required to transmit such a budget to Congress at the beginning of each regular session. The budget is to be applicable to the ensuing fiscal year or such longer period as he may deem appropriate. If the estimated volume of prospective investment and expenditure for any fiscal year or longer is less than the estimated volume required to assure "full" employment, the national budget shall provide for correction of the deficiency. The President is to set forth ways of encouraging non-Federal investment and expenditure to increase employment and, to the extent that these are thought likely to prove insufficient, he is to provide a program of Federal investment and expenditure. His recommendations are to favor the utilization of private enterprise—

except where the performance of such work by some other method is necessary by special circumstances or is authorized by other provisions of law.

If, conversely, the estimated aggregate volume of investment and expenditure is more than is supposed to be required to assure "full" employment, the President is required to present a program designed to contract this volume.

He is also authorized to submit supplemental or revised estimates, or programs, or legislative recommendations to Congress "from time to time." He is required to review all Federal investment and expendi-

ture quarterly to ascertain any changes supposedly needed in the volume of Federal investment and expenditure, and—

the rate of Federal investment and expenditure may be varied to whatever extent and in whatever manner the President may determine to be necessary for the purpose of assisting in assuring continuing full employment * * *

This national budget is to be prepared in the Office of the President in consultation with the members of his Cabinet and other heads of departments and establishments. In addition, there is to be a Joint Committee on the National Budget composed of 15 Members of the Senate and 15 Members of the House who are supposed to study the budget and to report to Congress by March 1 of each year.

The bill provides that nothing in it shall be construed as calling for or authorizing the operation of plants, factories, or other productive facilities by the Federal Government; or the use of compulsory measures in the distribution of manpower; or any change in existing procedures on appropriations; or the carrying out of, or any appropriation for, any program set forth in the national budget, unless such program shall have been authorized by some law other than this bill.

Although the arguments that have been offered in behalf of this program are essentially those set forth in the bill's declaration of purposes, which could not properly be regarded as statute law should the bill be passed, the really significant considerations for the people of the United States are those raised by analysts who have studied the bill carefully and are in a position to appraise its implications with accuracy. In general, their queries and observations, thus far, follow closely the following summarization. In any event, it contains, in brief, my views regarding the nature and implications of this bill.

Serious questions arise concerning the concept of the national budget. Its reliability and value, quite apart from matters of purpose and practicability of administration, rest upon other concepts such as those of gross national product, the aggregate volume of investment and expenditures, regular and full-time employment, and so on, regarding which our statistical data are inadequate and of a questionable character. Most of these concepts are matters of dispute among economists both as to definition and as to the possibility of accurate measurement.

The literature on these matters is voluminous and highly technical. It is not read nor understood by the layman. It has given rise to specialists in this field. But it is important that all Members of Congress understand that the success or failure of the program provided for in this bill rests in large part upon the scientific reliability and value of the concepts involved in net national income, gross national product, the national budget, and related and subsidiary matters. I should like to urge that each member of this committee read, as a recent and pertinent sample, Gerhard Colm's *From Estimates of National Income to Projections of the Nation's Budget*, in *Social Research—New School for Social Research*, 66 West Twelfth Street, New York 11, N. Y., September 1945, volume XII, No. 3, pages 350–369, to obtain a summary view of some of the conceptual considerations involved. Dr. Colm, an economist in the Bureau of the Budget, is most sympathetic toward the inauguration of the so-called compensatory economy and toward the desirability of the

attendant and supposedly compensatory spending by the Government to maintain so-called full employment. Consequently, his analysis of the basic concepts of net national income and gross national product should be of particular interest to Members of Congress.

But the reader should notice at least two things in his article: That these important concepts are criticized by Colm and, in his opinion, call for revision; and that he does not discuss the incompleteness or unreliability of the statistical data employed in connection with these concepts.

The following sentence from page 367 of his article provides an example of the great difficulties involved in obtaining reliable statistical data—matters with which he does not deal:

In estimating the dependent factors we must use some measurement of past relationship, such as the relation between consumers' disposable income and consumers' expenditures for durable goods, for nondurable goods, for services, and for savings.

Now, the fact is that we do not have anything like accurate data on any of these items. What we have are samples of one sort or another. To define savings, for example, is far from easy or simple, even among economists. Any individual would find it difficult to define the term and then measure his own savings. To obtain any reliable estimate of the savings of all the people of this Nation is palpably impossible. Yet statisticians in Government service use figures regarding the terms quoted, speak of their findings in glib terms, and recommend Government policies involving the utilization of these concepts just as though they had statistical data sufficiently complete and reliable to warrant this glib speaking and these recommendations.

I urge Congress to look at the raw material, or lack of it, on these things before they embark upon any program involving the reliability of such data. I should suppose that the Colm article would demonstrate that even the basic concepts are open to question, to say nothing of the unreliability of data available for giving concreteness to whatever concepts could be accepted as scientific and, therefore, useful.

As a serviceable example of a common type of debate by specialists over the concepts and measurements of national income, national product, and savings, I urge the members of this committee to consult a booklet called *Measuring and Projecting National Income*, Studies on Business Policy, No. 5—National Industrial Conference Board, Inc., 247 Park Avenue, New York 17, N. Y., March 1945.

Both national income and gross national product are computed in terms of dollars. Thus the increase in income and product may have no relation to national well-being. Their relationship is to spending, not necessarily to a healthy production; and a nation can spend any amount if its government is so disposed. National well-being may decline rapidly as national income or product in monetary terms increases. This situation appeared to some degree in this country during this war, since our expenditures for products to be destroyed and for outright waste showed up as part of the national income and product. The national income and product concepts in this bill contain these misleading fallacies.

Unless the Members of Congress have a good understanding of the nature of the concepts underlying this so-called national budget and

of the reliability or unreliability of available statistical data and of the inferences being drawn by our social planners from such data, I do not believe that they can possibly understand some of the most important features and implications of this bill.

Perhaps it would be helpful to take a much simpler example of some of the difficulties involved in this bill because of the vagueness of concepts found in it. What, for instance, is "regular" and "full time" employment—how many days per week must one work, how many hours per day, how many adult members of the family must work, how many holidays may there be, at what age may one begin work, and at what age may or must one retire? How can the notion of "continuing full employment" be applied to seasonal workers, specialized workers, migratory workers, apprentices, incompetents who are discharged, and those changing jobs? Is not the need for full employment greatest when the living standard of people is lowest, and least when their standard is highest? Does not the idea of full employment dissociate wages from productivity? Are not prosperity and productivity, rather than full employment, the major considerations?

This bill directs the President to proceed as though our statistical data on the basic elements involved were complete and reliable or can be made available when needed. It directs him to make predictions on the basis of data known to be incomplete and unreliable. It proceeds upon an assumption that a deficit in what is supposed to be the proper amount of spending and investment can be stated with accuracy, and that this deficit can be related in a definite manner to the unemployment which has prevailed or may be predicted.

A remarkable thing about the agitation for this bill is that the administration, which has publicly admitted that it does not know whether this country is headed toward what it calls inflation or toward deflation, asks that it be empowered and required by law to predict accurately 18 months ahead. As an example of this sort of admission I refer the committee to Mr. Vinson's Third Report of the Director of War Mobilization and Reconversion to the President and Congress, July 1, 1945, especially pages 53 and 54.

It is reasonable to suppose that if the administration can predict the total spending, income, and expenditures of consumers, business, State and local governments, and the Federal Government, as assumed in the proposal for a national budget in this bill, it could at least predict with a high degree of accuracy the receipts, expenditures, and deficits in a proposed Federal Budget. The fact, however, is that the administration has not been able to estimate receipts, expenditures, and deficits in the Federal Budget alone for the 10-year period 1935-44 with anything approaching accuracy.

Henry Hazlitt, of the editorial staff of the New York Times, in the issue of October 1, 1945, presented an analysis of these forecasts; and, if his data are accurate, actual expenditures differed from Budget estimates by amounts ranging from 8 to 85 percent per year, with an average error of 29 percent. Taking the seven peacetime years, the range of error was from 8 to 51 percent, the average error being 23 percent.

The errors in estimating receipts for the 10-year period ranged from 3 to 55 percent, with an average error of 19 percent. The range of error for the seven peacetime years was from 3 to 22 percent, with an average error of almost 10 percent.

The range of error in the estimates of the annual net deficits in the Federal Budget for six of the seven peacetime years was from 9 to 422 percent, the average error being 150 percent. The year 1938 was omitted from the calculation because an estimated surplus turned out to be a large deficit. The range of error in estimating the Federal deficits was even greater in peacetime years than during the war.

Since this is the 7-year and 10-year record of this administration in predictions, confined to three simple items in the Federal Budget alone, how can it be assumed, as in this bill, that the administration can predict with any accuracy many more items covering much more territory regarding which the administration's data and knowledge would be, of necessity, much less reliable? Has not Mr. Hazlitt put the question properly when he says: "If the President cannot accurately estimate what Congress is going to spend—though he has a veto power—how can he or his statisticians be expected to estimate accurately what 48 State governments, thousands of cities and towns, hundreds of thousands of business firms, and 140,000,000 people are going to spend, when most of them are not even sure themselves?" Mr. Hazlitt's article is included in an appendix.

Mr. HOFFMAN. Do you recall the statement by President Hoover, something to the effect that there should be two cars in every garage and two chickens in every pot, and how he missed out on that?

Mr. SPAHR. Yes; I recall the statement, and how it did not come about.

Mr. HOFFMAN. Moreover, do you remember on the 12th day of October 1936, in a campaign address at Denver, Colo.—and I am referring now to the Public Papers and Addresses of Franklin D. Roosevelt, volume 5, page 449—that President Roosevelt said:

This administration has shown the way because it had the will to do. We have sought and found practical answers to the problems of industry, agriculture, and mining.

Mr. SPAHR. I recall that event, but it did not come about, as I recall it.

Mr. HOFFMAN. No; it did not. Two days later, at Chicago, Ill., on the 14th of October 1936, and I refer now to the Public Papers and Addresses of Franklin D. Roosevelt, volume 5, page 480, he said:

Today those factories sing the song of industry, markets hum with bustling movement, banks are secure, ships and trains are running full.

Then, on the 21st of October 1936, he said:

Recovery is with us. Federal revenues are increasing, emergency expenditures are decreasing. A balanced budget is on the way.

Then, lo and behold, less than 100 days later, on January 20, 1937, he had this to say:

I see millions of families trying to live on incomes so meager that the pall of family disaster hangs over them day by day. I see millions whose daily lives in city and on farm continue under conditions labeled indecent by a so-called polite society half a century ago. I see millions denied education, recreation, and the opportunity to better their lot and the lot of their children. I see millions lacking the means to buy the products of farm and factory and by their poverty denying work and productiveness to many other millions. I see one-third of a nation ill-housed, ill-clad, ill-nourished.

And then following that in a fireside chat, in discussing the plan for reorganization of the judiciary, March 9, 1937, and we find from those same papers, volume 6, page 123, he made this statement:

I want to talk with you very simply about the need for present action in this crisis—the need to meet the unanswered challenge of one-third of a nation ill-nourished, ill-clad, ill-housed.

So that the President, and again we must assume that he had available all of these facilities for gathering information, and that he was actually stating the situation that he thought existed at that time, he was unable to forecast this disaster that was within the offing not less than a hundred days ahead.

Mr. SPAHR. I think that would be true of any President. I think it would be true of any one of them.

Mr. HOFFMAN. It seems to me that those two attempts illustrate the point you have made, that no man can tell what is unemployment at the present time, and what unemployment is going to be, because President Hoover, who some of us think was a pretty good President, and a very brilliant man, and also our late great President Roosevelt, could not do it either, could they?

Mr. SPAHR. Neither they nor anyone else can do it. It is one of those things that cannot be done.

The CHAIRMAN. Proceed, Dr. Spahr.

Mr. SPAHR. This bill is essentially a series of assertions cut loose from realities. It states how governmental policies are to promote private enterprise, how they are to bring about the desired activity on the part of business, how they will assure full employment, how consumers' expenditures will be increased or decreased as desired, how capital outlays of business will be increased or decreased as needed, and so on, just as though assertions of this type in a law can effect the ends desired.

The bill incorporates what has come to be known as a compensatory economy program, the soundness of which has been challenged repeatedly by many of our most responsible economists. Provision is made for Government spending to take care of the estimated "deficits" in the national budget. No consideration is given to the effects of taxation or borrowing, on the private economy. Insofar as the theories in this bill go, taxation and borrowing might be exceedingly heavy and disturbing. No consideration is given to the possible size of the Federal debt or to other unfortunate disturbances which the proposed Government policies and actions probably would cause. Under this plan we could have a series of deficits until the public credit collapses.

Mr. RICH. Will the gentleman yield right there? In that respect, for 15 years now we have been going on spending and spending and spending until we have had a large and growing deficit each year. It has gone from a billion dollars up to \$60,000,000 a year deficit, so that we now have over \$265,000,000,000 debt upon us right now. Should any consideration be given to this bill, or to the amount of spending we are doing, unless we give some consideration as to how we are going to pay that debt?

Mr. SPAHR. Are you asking me about that?

Mr. RICH. Yes; you are the economist. I am wondering, in our present serious situation, what you think of such a condition.

Mr. SPAHR. Congressman, I should say in past times we know what we can do in peacetime in connection with our budget, and we also know what we can do in wartime with our budget. And we know that it has to bear some relationship, one to the other.

Mr. LaFOLLETTE. Mr. Chairman, I would like to raise a question of procedure now. I have been sitting here and I do sit here very calmly and listen and follow the speaker, and I wait my turn, and nevertheless always the opponents of this bill speak whenever it pleases them to speak. And they make stump speeches and things of that sort all along, if they are opposed to the bill.

Mr. RICH. Are you referring to me as an opponent of this bill? I do not know whether I am for this bill or against it. I cannot tell until I have more information about it. I am seeking some information now.

Mr. LaFOLLETTE. I know you so well that I know precisely what your position is going to be.

Mr. RICH. Then you know more than I do, because I do not know what my situation is going to be in connection with this bill. I am for full employment any place, anywhere, any time, and that has always been, is now, and always will be my policy, without any equivocation or reservation, and let there be no doubt about it. And I want that in the record.

Mr. LaFOLLETTE. I am satisfied for you to have it in the record, but I know what you really think about it anyhow.

The CHAIRMAN. Gentlemen, let us come to order. Suppose we give the gentleman from Pennsylvania an opportunity to complete his question.

Mr. LaFOLLETTE. I am not objecting to that, but I do want to make this point of procedure.

Mr. RICH. I feel very strongly about this. This statement has been made in the presence of all these people here, in the presence of the members of the press, and I would like for this to be on the record, Mr. Chairman, and I ask the privilege of having it appear on the record, that Mr. LaFollette's statement that I am against this bill is totally without foundation. I am for full employment at all times, and I do not want anybody to make such a statement, because he cannot justify it.

Mr. LaFOLLETTE. I say again that I know you very well, and I think I know how you stand on this.

The CHAIRMAN. The committee will come to order.

Mr. HOFFMAN. Mr. Chairman, I would like to make an inquiry. Has the gentleman from Indiana, Mr. LaFollette, ever been denied recognition?

The CHAIRMAN. Certainly not to my knowledge.

Mr. LaFOLLETTE. I have never asked it. I am objecting to this continual interrupting of the witness.

Mr. RICH. I feel that it is only fair that I should have an apology on this record for the statement of the gentleman from Indiana, because it is so totally unsupported, and I think it is unfair.

The CHAIRMAN. At this point we will suspend the record.

(There was a discussion off the record.)

The CHAIRMAN. At this point we will resume the record. You may proceed, Dr. Spahr.

Mr. SPAHR. The bill, like the general run of comments on it by its proponents, seems to reveal no clear understanding of the net effects of similar Government policies in the past, as, for example, during the 1930's. When a policy, much like the one proposed, was tried in this country during those years, the economy was so disturbed that unemployment remained at a high level despite the heavy governmental expenditures. The flow of capital into new enterprises declined to a mere trickle. The velocity of bank deposits, which in general reflects people's optimism or pessimism, declined to the lowest level on record up to the time we embarked upon our armament program—to a point below that reached at the depth of the depression in July 1932. Facts of this type are ignored by the proponents of this bill. Moreover its sponsors offer none that would warrant support for the theories on which it rests. They are asking the people of the United States to accept the bill on faith—on the basis of assertions and the declaration of purposes.

Another important consideration is whether a government can really do the things which this bill takes for granted. There are qualified persons who maintain that it is more reasonable to assume, in the light of the evidence that is available, that governments will make serious mistakes and cause maladjustments than it is to assume that they will always act with wisdom and proper foresight. For instance, when Sir George Paish, long a close and careful student of business fluctuations, visited the United States in 1937, he made the following observation regarding the wisdom of governments in dealing with economic problems:

Long experience has caused me to come to the conclusion that the economic crises of the world which come from time to time are the result rather of political action than of economic action, and can be avoided only when the statesmen of all nations have a greater understanding of economic law and have some appreciation of the consequences of their own actions. It may be said that the statesmen of the world, taken as a whole, have, since the war, and especially in recent years, acted in such a manner as to bring the world machine almost to a standstill. (The New York Times for February 4, 1937.)

The bill takes for granted that even though a nation has been plunged into a severe war, with all the attendant serious and radical adjustments that are involved, the central government, if it will only take certain supposedly appropriate measures, can effect a smooth transition to a peace economy and enable the country to escape a severe postwar reaction. Many economists doubt that there is any basis in economics, or in economic history, for such an assumption. They believe that, so long as there are wars, severe economic adjustments and readjustments are natural and unavoidable consequences. They insist that much of our thinking in the late 1920's was of the type being revealed in the widespread current assumptions. We thought then that if we could maintain a stable price level and continue certain other supposedly enlightened policies, which our Government was thought to be pursuing, we could escape a secondary and severe postwar reaction. We were soon taught the foolishness of those notions. Today we are seeing essentially similar assumptions made. The importance of a stable price level is being stressed substantially as in the late 1920's.

There is nothing in the proposed plan that would indicate how much Government spending is necessary to put a certain number of people to work. For instance, during the days prior to the pump-

priming program of the 1930's, when the Federal budget was approximately \$5,000,000,000, what was the relationship of this budget to the number of people employed? According to fairly conservative estimates, the best we can expect in the way of a normal time postwar budget is one of, say, \$25,000,000,000. With a budget of five times the pre-pump-priming budgets, what would be the relationship of this extra 20 billions of Federal expenditures to the number of people that would and would not be employed?

The plan fails to recognize what qualified economists know to be the difficulties in solving the problem of unemployment by Government action: A government is a cumbersome machine and slow in launching public works. It is difficult to start these in the areas of unemployment and, therefore, labor often must be moved to distant points and perhaps be provided with special housing and other facilities. Projects, once started, are rarely stopped when the need for such employment disappears, partly because of the waste involved in the incompleting enterprises. There is the question of how to utilize the products or services for which there may be little or no demand. The supervisory bureaucracy is wasteful, expensive, politically minded, and tends to perpetuate itself and to expand its undertakings. There is a tendency to compete unfairly with private enterprise and to cause it to shrink or die, which, in turn, provides the excuse for still further expansion of Government employment activities.

Despite provision for advisory and other committees, the proposed national budget would be in control of a small group of statisticians who would devise programs of national expenditures based upon their statistical estimates. It is hardly reasonable to suppose that the 30 otherwise busy members of the joint committee of Congress would go behind the reports of the statisticians and obtain a genuine understanding of the nature and shortcomings of the raw material used in such estimates. What one can count on, if this bill becomes law and if a serious attempt is made to carry out its provisions, is, that this committee and other advisory groups, Congress, and the President would take what this small group of managerial statisticians gave them, and that both Congress and the President would act upon such estimates. Otherwise, they would be defeating the chief purpose of the program. The probable consequence would be the discovery that, through the passage of this bill, we had instituted in large degree a federally managed economy with the management actually in the hands of a small group of statisticians.

Another serious question involved in the program is whether security in the form of assurance of "useful, remunerative, regular, and full-time employment" can be given to individuals by any government without at the same time sacrificing, to an undesirable degree, the freedoms which individuals must have if they are to go forward in the best possible manner. The bill does not face the fact that an individual cannot have freedom without, at the same time, incurring risks. It assumes that the people of the United States have reached a stage in which they are willing to sacrifice their guarantees of freedom to obtain what is in fact a spurious guaranty of employment. It embodies the doctrine that every person is entitled to obtain a living from the Government regardless of whether he has the ability or the willingness to produce enough to justify the pay which it is proposed that he shall have.

Just how does the Federal Government propose to see to it that the person who desires "useful, remunerative, regular, and full-time employment" is to get it? Who will decide whether the job is "useful" and what is "remunerative"? Will rates of pay differ or will they be uniform? What is a "regular" and a "full-time" job, and how is one to get it if there are no openings in the fields where one's qualifications lie? The net meaning of all these vague words—"useful, remunerative, regular, and full-time employment"—can be nothing but Government regimentation of those people who may be so unfortunate as to become the victims of the system which this bill, by its nature, apparently would institute.

The fact is that if an attempt is to be made by the Government to provide employment in accordance with the vaguely worded promises in this bill, the Government, of necessity, must determine when, where, and under what conditions the seekers of employment may work. This fact is not altered by the statement in the bill that nothing in the plan may be construed as calling for or authorizing "the use of compulsory measures of any type whatever in determining the allocation or distribution of manpower." The existence of a painful amount of unemployment will supply all the compulsion that is necessary. This bill opens the way to far-reaching Government action to insure such employment as it may see fit to provide. The Government could, and probably would, enter many fields of activity that are not proper functions of Government—if we are to maintain the system of private enterprise.

Although the declaration of purposes is not law, but rather a psychological trick, the statement that one of the purposes of the plan is to "contribute to the full utilization of our national resources" is symptomatic of the unhealthy nature of this bill. No well-informed person could possibly expect to have or to want "full utilization of our national resources." Such utilization would mean the end of all conservation and would leave little or nothing for future generations. This particular statement was dropped from S. 380 as that bill was passed by the Senate. But its existence in the original bill, along with the statements of other purposes which that bill still contains, reveals a most unhealthy type of thinking and procedure in drafting both the original and modified bills. These statements of purposes are more a form of incantation to placate the gods of lay and supposedly popular opinion than they are a manifestation of economic statesmanship.

Despite the great concern repeatedly expressed in the bill over the preservation and fostering of free, competitive, private enterprise, the program in its essence is a monument to a striking lack of faith in the virtues and strength of private enterprise. The faith of the sponsors of this bill lies in greater control by the central government—in what has been called the welfare state—a fact adequately demonstrated by the declaration of purposes. And the true nature of the so-called welfare state is a matter of grave concern to those who wish to maintain private enterprise in this country.

The salve state—says the British economist Hayek—always starts out as a welfare state. It promises freedom from worry, want—as many freedoms as you wish, except freedom from the state itself.

This bill provides for much less, not more, freedom from the State. Indeed, some careful critics regard this program as probably the

boldest attempt yet made in this country by Government "planners" to usher in a federally controlled peacetime economy.

Continuing full employment cannot be assured in a free society. If this bill should become law, and should serious efforts be made to enforce it, the probable effect would be to discourage rather than encourage private enterprise and to decrease rather than increase non-Government employment. The Federal Government will have assumed an explicit responsibility for full employment, and for unemployment, in this country. Presumably, the best administration would be the one that would employ the most people. This could easily lead to huge Federal spending, huge bureaucracy and patronage, and, finally, to national bankruptcy.

Although the bill expresses again and again an aim to encourage and to utilize private enterprise in carrying out the proposed program, escape clauses are invariably provided which would enable the President, with the cooperation of a majority in Congress, to do practically anything he pleases. In addition, there are various broad and vague provisions under which those responsible for the proposed policies could attempt almost anything in the way of instituting a federally managed economy.

The alternative to this bill does not involve doing nothing to combat unemployment—a matter of great concern to all enlightened people. There is, as qualified economists well know, an alternative that can be helpful and at the same time actually preserve and strengthen private enterprise and foster a healthy economy.

In brief, if our Government officials really desire to preserve and to encourage private enterprise and private capitalism, they should give more attention to what makes it function best and what causes the maladjustments that result in unemployment. Then they should endeavor to create the atmosphere favorable to the best functioning of the system.

Specifically, they should do everything possible to end wars. They should foster free and fair competition. They should not compete unfairly with private enterprise. They should provide the Nation with currency and fiscal systems in which the people have confidence, and which facilitate rather than disturb the operation of the system of private enterprise. They should protect the weak from the strong and give careful consideration to ways to aid the needy, aged, and helpless without undermining their self-reliance and self-respect. They should see to it that those who handle other people's money adhere to the highest standards of ethics. They should encourage science, invention, and learning, and seek to broaden rather than to narrow the scope of individual freedom. They should regulate in the interests of peaceful settlement of disputes rather than endeavor to produce and to direct. They should abandon the barbaric fetish that domestic wars in the field of industrial relations have some rational defense; they should proceed to establish effective machinery for mediation and arbitration. Courts, with reason in control, rather than trial by battle, are the mark of a civilized people. They should narrow rather than enlarge Government activities. They should encourage hard work, prudence, saving, and self-reliance. They should cease to cultivate the enervating notions that self-reliance is no longer a virtue, that the Government owes all citizens a job and a

living, that there are distinct limits to the penalties that may attach to lack of produce, and that there can be too much saving and that oversaving is a bad thing.

They should do other things of a similar nature. Some public works, if they are needed and if they can be properly conceived and executed in times of unusual unemployment, might accomplish some benefits; but there is no basis for supposing that the benefits can ever be comparable to those assumed in this bill.

Mr. HOFFMAN. Dr. Spahr, if I may interrupt there, I noticed that you did not say "small benefits" and I am wondering if that is what you had in mind. I attach some significance to that. In that last sentence, you used the word "benefits," but you did not utilize the word "small."

Mr. SPAHR. I meant to say small benefits. Such works, when designed primarily to provide employment, besides being too expensive, rarely produce anything that leads to continuing employment. At their best, their accomplishments compare poorly with those resulting from a small fillip in the private enterprise system.

It is in these directions, rather than in more national planning of the type proposed in this bill, that our non-Socialist economists of repute believe the road to higher standards of living, greater individual freedom, and greater national well-being is to be found.

Just a few observations regarding the bill S. 380 as passed by the Senate. Fundamentally, it now appears to contain two basically conflicting policies, if one can read any meaning at all into the sentences which carry so many qualifying, if not nullifying words. On the one hand, it embodies the principle of compensatory spending and deficit financing. On the other, it seems to require a balanced budget. If the theory of compensatory spending is to be pursued, there is no place in such a program for a balanced budget policy that must be carried out at some specified time. This bill seems to call for a balanced budget—that is, no increase in the Federal debt—beginning with the fiscal year 1948, "without interfering with the goal of full employment"—whatever that qualification may mean. The statement of purposes and the long title both continue a large number of politico economic incantations. For example, the title states that one of the purposes of the bill is to assure continuing full production. Nobody could possibly define full production or know when it exists. The remainder of the bill differs little from the one now under consideration by this committee. The revisions seem to reveal a fear of some of the dangers mentioned here and at the same time a fear that an attempt should nevertheless be made to enact something called a full employment bill.

Mr. HOFFMAN. Mr. Chairman, at that point in that last sentence, Mr. Spahr used the word "fear" a second time. Do you mean "hope" or did you intend to use the word "fear" there?

Mr. SPAHR. Perhaps it was an unfortunate choice of language there, but I used the word "fear" in a sense that there are two kinds of fear, and I used the word "fear" in the first instance to express one kind of fear and the word "fear" in the second instance to express the second kind of fear. I felt that there was a contradiction between the two that was indeed a very important one, and I was attempting to emphasize it. In other words, I used "fear" in the sense that one might mean hope.

The CHAIRMAN. You may proceed, Dr. Spahr.

Mr. SPAHR. In many respects it attempts to provide for something without providing specifically for it.

A basic question presented to the people of the United States by the full employment bill, now before the House, is whether their thinking and activities are to continue in the direction of preserving and enlarging the freedom of the individual or whether they are to follow those of Socialist-Communist authoritarian Europe.

The CHAIRMAN. Dr. Spahr, we have people every day who cite the war period as a full-employment period. Is the war period a full-employment period, and a proper period to cite as one of full employment, when we had some 13,000,000 men in the armed forces?

Mr. SPAHR. I do not think it is, Mr. Chairman.

The CHAIRMAN. When we have between 9,000,000 and 14,000,000 factory workers engaged in making weapons of destruction and not goods for domestic consumption?

Mr. SPAHR. That is correct; that is what they were doing.

The CHAIRMAN. You might say there were 20,000,000 people who were not employed in manufacturing goods and products for clothes and machines that were needed in our peacetime economy?

Mr. SPAHR. That is quite true. It is quite unfortunate, but I suppose that is one of the things that you are met with very frequently, as Congressman.

The CHAIRMAN. It is also unfortunate that we set that period up as a period in which we had our greatest gross income of around \$200,000,000,000.

Mr. SPAHR. Yes; it was set up at that time.

The CHAIRMAN. That was set up as a boom period.

Mr. SPAHR. That is a false or wartime boom and not a truly peacetime boom, as we understand that word "boom."

The CHAIRMAN. Is it fair to say that during such a boom it is very similar to a situation where a person might borrow money from some individual and then he would go out and go on a spree of spending money, and he would be buying anything he wanted to, and spending his money freely, and having a big time, but unless he paid that back, it would be unfortunate for the man from whom he got this money, because the money has to be paid back or somebody will suffer, and the same analogy would apply in the case of a nation?

Mr. SPAHR. That is exactly correct. That is why, Mr. Chairman, we figure the gross national product resulting from that type of spending as being so grossly misleading. I hope the time will come when we can get away from that. I hope the committee will look at that, because we are using that figure as production of goods for consumption.

The CHAIRMAN. As a matter of fact, almost 50 percent of our production was for war material which was being expended and not suitable for peacetime use?

Mr. SPAHR. Gross national product means money spent regardless of purposes.

The CHAIRMAN. Is it not also true that when we speak of compensatory spending, Federal spending, for a given volume of employment, we should at the same time take into consideration the status of our Treasury and Federal income? When we effect employment in private enterprise by money out of our Treasury, we are creating a tax burden,

or placing a tax burden upon our people which will become greater and greater and reduce the ability of private enterprise to produce?

Mr. SPAHR. Precisely, if you are going in one direction or the other. In which direction do you mean—for a big deficit, or to reduce the deficit?

The CHAIRMAN. In the direction of producing a big deficit.

Mr. SPAHR. If you have a deficit in wartime, with all of the conditions that go along with war, you may have employment that will go along with the war, including the military, because people are all busily engaged upon something which is not a normal pursuit. If you have a balanced Budget, and even a surplus, you may have a heavy employment, or a heavy unemployment, as the case may be. It depends on what your whole national situation is. The chief defect in compensatory spending theory is that the deficit in financing necessarily produces more unemployment, and it does not necessarily produce employment, as was shown in the early 1930's—in other words, the fact that there was deficit spending did not produce more employment to the extent it was thought it would, and the thing that it does is definitely to increase the national debt. As to whether it will increase more employment is something which is speculative, but it necessarily and definitely does increase the national debt.

The CHAIRMAN. We refer to the savings people have in the banks and insurance companies, and so forth, and most of those savings are represented in Government bonds today in the banks and insurance companies.

Mr. SPAHR. It is, certainly, a heavy proportion.

The CHAIRMAN. And that proportion is important. If we take that heavy proportion, and if people start to diverting those savings to something else, our Government will have to take care of the money which has been put in there and will have to redeem those bonds or do something about those bonds?

Mr. SPAHR. If they start spending those savings they certainly will. They could come fast enough, as we all know, because nothing comes faster than something of that character. The depreciation of currency is one of the things that comes about more rapidly than almost anything of which I know.

The CHAIRMAN. That is one of the dangers of continuous deficit spending, is it not?

Mr. SPAHR. It most certainly is; that is quite correct.

The CHAIRMAN. And eventually it could mean the bankruptcy of our country.

Mr. SPAHR. That is quite possible.

The CHAIRMAN. Do you think it is possible for the Federal Government to guarantee 8,000,000 people a job at a wage of \$3,075 per year?

Mr. SPAHR. I should suppose it is possible, if you do not care for the consequences.

The CHAIRMAN. And still maintain our present system of free enterprise?

Mr. SPAHR. In peacetime? Under peacetime conditions?

The CHAIRMAN. And with the debt that we have hanging over our heads now.

Mr. SPAHR. I should doubt it, sir.

The CHAIRMAN. Of course, we could have a national income, and

we could augment that national income by means of printing additional money, and we could set up these systems of spending more money as we went along, but if we continue to do that from time to time our guaranty would be practically valueless. It would be possible to employ 8,000,000 people, but the currency they would get would not be of any value to them in buying the things which they would need. Is that not true?

Mr. SPAHR. It is only too true. In the history of nations, when they start out along this line of pumping by printing paper money and putting paper money into circulation to create a national income, you disturb the national economy so much that industry stops and unemployment begins; employment stops, or almost stops. The reason for that is very simple. No man is willing to risk his money in matters of industry, such as the production in a plant or things of that character. Businessmen prefer to gamble and gamble on the stock market, or in real estate, or anything that will enable them to ride through the flood, and in that type of situation, you will have a situation where unemployment increases very rapidly. So, the history of these great currency expansions—and I think we have many of them to prove it; many illustrations of it that are very definite—show definitely and positively that the employment situation changes for the worse; employed population decreases, and the unemployed population increases.

The CHAIRMAN. Did not the first French Revolution indicate that very clearly?

Mr. SPAHR. I would say that is a perfect illustration of that.

The CHAIRMAN. Did not the second French Republic also pass legislation guaranteeing full employment along about 1847 or 1848?

Mr. SPAHR. I do not recall the exact date, but I recall the circumstance. It has happened many times.

The CHAIRMAN. As I recall the situation, the farmers quit farming, and they came into the city to play about and simply spend the money. Of course, it was easy work; working for the Federal Government is easier than going out and working in the sun and the wind and the cold weather and the rain on the farm. Do you not think that would be one of the difficulties—one of the differences—that would come about?

Mr. SPAHR. That is one of the things that inevitably does come about.

The CHAIRMAN. I recall that even in the days when we paid \$36 per month some farmers quit their farms to go to work on the WPA. Perhaps you recall that.

Mr. SPAHR. Oh, yes; I do recall that.

Mr. HOFFMAN. Pardon me, the gentlemen down here did not hear you, Doctor.

Mr. SPAHR. Mr. Chairman, there is one point I neglected, and if it is agreeable to the committee I should like to read this part of my statement which I have not read so far. This is an article by Henry Hazlitt, The Government as Economic Forecaster, which appeared in the New York Times, October 1, 1945, so it is rather a timely article.

The Senate passed the self-styled "full employment" bill in a much better form than the original, but it did so only by passing a self-contradiction. On the one hand, the measure now calls virtually for a

balanced budget after 1947; on the other hand, it still accepts the "compensatory spending" and deficit financing philosophy. The President is asked first of all to estimate the number of jobs needed for full employment, then the number of jobs that private industry is likely to provide, and finally the amount of Government spending necessary to provide the difference.

Compared with the complications, unknown quantities, and pitfalls involved in the estimates which the President is asked to make under the Murray bill, the problem of the Government in estimating merely its own expenditures, within its own control, ought to be ridiculously simple. Yet on this problem the Government in the last dozen years has piled up a singularly unimpressive record.

The following table presents the actual record of the President's estimates of expenditures, revenues, and deficits for the following fiscal year as presented in his annual Budget messages from 1934 to 1943. The Budget figures are in millions of dollars. The expenditure figures exclude provisions for legal debt retirement.

(The table referred to follows:)

Fiscal year	Budget estimate	Reality	Difference	Fiscal year	Budget estimate	Reality	Difference
EXPENDITURES				RECEIPTS—continued			
			<i>Percent</i>				<i>Percent</i>
1935.....	\$5,961	\$6,802	+14	1940.....	\$5,669	\$5,387	-5
1936.....	7,884	8,477	+8	1941.....	6,248	7,607	+22
1937.....	6,173	8,001	+30	1942.....	8,275	12,799	+55
1938.....	5,756	7,626	+32	1943.....	16,487	22,281	+35
1939.....	6,869	8,707	+27	1944.....	33,081	44,148	+33
1940.....	8,995	8,998	+51	NET DEFICIT			
1941.....	8,424	12,710	+51	1935.....	1,986	3,002	+51
1942.....	17,486	32,397	+85	1936.....	3,892	4,361	+12
1943.....	58,928	78,178	+32	1937.....	519	2,707	+422
1944.....	104,128	93,743	-10	1938.....	¹ 1,538	² 1,384	-----
RECEIPTS				1939.....	950	3,542	+273
1935.....	3,975	3,800	-4	1940.....	3,326	3,611	+9
1936.....	3,992	4,116	+3	1941.....	2,176	5,103	+135
1937.....	5,654	5,294	-6	1942.....	9,211	19,598	+113
1938.....	7,294	6,242	-14	1943.....	42,441	55,900	+32
1939.....	5,919	5,165	-13	1944.....	71,047	49,595	-30

¹ Surplus.

² Deficit.

Mr. SPAHR. Some very instructive results emerge from this table. In the seven fiscal years from 1935 to 1941, inclusive, omitting the years in which we were at war, there was an average error in the estimate of receipts of 9 to 10 percent. In the same 7 years there was an average error in estimating expenditures of 23 percent. It is obvious that an error of this size, or even a much smaller error, would render the forecasts required by the Murray bill not only useless but potentially very dangerous. The worst unemployment year in our history was 1933. In that year the National Industrial Conference Board estimates that there was an average of 11,842,000 unemployed out of an estimated total working force of 50,669,000. This meant that 23 percent of the working force was then unemployed. As it happens, this is almost precisely the average percentage of error in Federal expenditure estimates in the 7 years before our entrance into the war.

If a 23-percent margin of error in prospective national—not merely Federal—expenditures would make, as the Murray bill itself assumes,

a 23-percent difference in the volume of employment, it is evident how useless the forecast of expenditures would be as a forecast of unemployment. Unemployment, as compared with the total available working force, represents a marginal element, an unused residue. Therefore, even if we assume the theoretical assumptions of the Murray bill to be valid, the percentage of error in forecasting unemployment can be enormously greater than the percentage of error in forecasting total national expenditures or total employment.

This point may again be illustrated by the estimates of the Federal Budget. Whereas the error in estimating Federal expenditures in the 7 years before the war averaged 23 percent, and the error in estimating receipts averaged 10 percent, the error in estimating the net deficit averaged 150 percent. The fact that these are average percentages of error means that in individual years the percentage of error was far higher.

If the President cannot accurately estimate what Congress is going to spend, though he has a veto power—how can he or his statisticians be expected to estimate accurately what 48 State governments, thousands of cities and towns, hundreds of thousands of business firms, and 140,000,000 people are going to spend—when most of them are not even sure themselves?

I just thought it would be well to present this, Mr. Chairman.

The CHAIRMAN. I have no further questions. Do you have any questions, Mr. Hoffman?

Mr. HOFFMAN. I yield to Mr. Cochran.

Mr. COCHRAN. Do you want to go ahead now, Mr. Hoffman?

Mr. HOFFMAN. No; I yield to you, Mr. Cochran. Please go ahead. I will ask some questions later on.

Mr. COCHRAN. Doctor, the members of this organization, are they in the main small businessmen? They are, are they not?

Mr. SPAHR. These chambers, my knowledge of the make-up of these chambers of commerce is rather casual. May I repeat that they, having read my article, liked it, and they wanted to have an economist to come down here, and they approached me and asked me to know if I would agree to speak for them, and they said they would like to have me do so, that they subscribed and endorsed my views in this matter, and I would, in effect, be presenting their views. I have no intimate knowledge, however, of their set-up, but I have a general knowledge of the situation and its ramifications.

Mr. COCHRAN. Have you any plans to substitute for this plan?

Mr. SPAHR. Yes; the one at the end, beginning, if I may go back, at the bottom of page 19, where I said:

There is, as qualified economists well know, an alternative that can be helpful and at the same time actually preserve and strengthen private enterprise and foster a healthy economy.

Mr. COCHRAN. Do you find any language in this bill whatsoever that is an interference with private enterprise?

Mr. SPAHR. Congressman, I am afraid I am repeating what I have said before, but I should say in essence, my opinion is that, in essence, most of it will endanger the working of private enterprise.

Mr. COCHRAN. Do you understand that the policy laid down in this bill is that the Government is to remain on the outside until it is

absolutely disclosed that private industry has been unable to take care of the unemployment situation?

Mr. SPAHR. As I understand it, I stated that I had studied this very carefully, and I believe you have stated it very accurately, as a matter of fact, I understand the provision in the bill to be that there is an escape clause, which is to the effect that when they conclude private enterprise is not providing employment sufficient, then the Government will step in.

Mr. COCHRAN. Do you approve of advance planning?

Mr. SPAHR. Do you mean, for example, in connection with a public-works program?

Mr. COCHRAN. Yes.

Mr. SPAHR. Then, Congressman, yes; I do. I think the Federal Government, if it could lay out programs for public construction when they know they are going to do these things, and need these enterprises, if they can be ready to throw them into gear when unemployment becomes very pronounced, I think it would be an excellent idea.

Mr. COCHRAN. That part you do approve; is that right?

Mr. SPAHR. But I am pretty pessimistic about the whole thing: it may work well, it might, but the records thus far have not been very good. But that is one thing that I think we could give careful consideration to. It is a recorded thing that the Government can take steps to do this, but I do not think it can expect very much because it is too sluggish, the Government is too sluggish in getting the thing into operation. Unemployment may be scattered all over the United States, pretty evenly distributed, and your public-works program may be in one section and not in another. You may start building roads in one section because obviously you cannot start roads in every section of the country, and you will have to move your employees and your buildings and things like that, so it is a very sluggish thing. Therefore, you cannot expect too much even from that. That is one of the things that if we had a very good technical staff with plans ready, well conceived and well managed, you might do something with it.

Mr. COCHRAN. If we had, and if we were ready, we would not have had as bad a time as we had in our last depression, when we, in order to make the general public feel that they were not living on the dole, we gave them any kind of work, from raking leaves to other things which were just as meaningless? In other words, it would be much better if it were properly conceived, and properly executed.

Mr. SPAHR. Of course, in relation to the other it would be better. I think this is all speculation. Our Nation has not had enough experience in this thing to really set up anything very definite along that line. I think around 1936 we were engaged, in fact there was a study made of 39 countries as to their experiences with public works, and the conclusion for all of them was on a very pessimistic basis as a result of these studies, and these countries had all sorts of governments, and all sorts of conditions, but the results seemed to be almost the same, for the reasons I mentioned here. They seemed to apply rather uniformly no matter what the country is or the form of government or anything of that kind. I made my statement very brief along that line because of lack of time, but it could be expanded very considerably if that were desired.

Mr. COCHRAN. You feel that the Government should leave private enterprise alone, do you, to the greatest extent that is possible?

Mr. SPAHR. Of course, that opens up a very big field, as you appreciate.

Mr. COCHRAN. Are you opposed to a small businessman, now, appealing to the governmental agencies, and to committees of Congress for help?

Mr. SPAHR. That is such a broad statement that I do not think I am competent to generalize in my answer on that.

Mr. COCHRAN. Nevertheless, we are doing that very thing in fact. We have a small business agency set up in the executive branch. We have Small Business Committees, we have one Small Business Committee in the House and one Small Business Committee in the Senate. We have small businessmen all over the country who are continually appealing to them for assistance. If this organization is opposed to this bill, and to Government interference, aren't they in direct contrast to what they are now doing, appealing to the Government agencies?

Mr. SPAHR. I see what your point is. You say that we have an organization that is opposed to the bill? I am not certain that I follow just what you mean there.

Mr. COCHRAN. I say, if this organization that you are speaking for is opposed to this bill, and then I ask you how they can come to an agency of the executive branch of the Government and appeal to them for help, and come to the two committees of Congress appealing for help?

Mr. SPAHR. Frankly, I am not in a position to answer that question.

Mr. BENDER. Mr. Chairman, I ask that we have order. I cannot hear the witness.

The CHAIRMAN. Let us have order, gentlemen.

Mr. HOFFMAN. I want to ask you something if I may—will the gentleman yield?

Mr. COCHRAN. Never mind. I want to interrogate the witness.

Mr. HOFFMAN. You will not give me any information? I am asking you for the information.

Mr. COCHRAN. I am not going to yield now.

Mr. HOFFMAN. Then I will reserve it until a later time. I regret that you cannot see your way clear to let me have the information now.

Mr. COCHRAN. Nevertheless, I will not yield.

The CHAIRMAN. Let us proceed, gentlemen.

Mr. COCHRAN. Do you find anything in this bill that says that if the Government does step into the picture that the Government is going to hire the employees?

Mr. SPAHR. Not specifically, but you notice that I have in this manuscript a statement that they have escape clauses.

Mr. COCHRAN. Would you be satisfied with the bill if we put in a specific proviso, that all contracts for public works should be let to the lowest bidder?

Mr. SPAHR. Provided his efficiency is there, you are talking about efficiency as well, are you not?

Mr. COCHRAN. The efficiency being the same in each instance.

Mr. SPAHR. I think that would be one of the things which should be included in there; yes.

Mr. COCHRAN. You have stated that the Government officials are not supplied with proper data in order to base their conclusions. How would you suggest that we get that data?

Mr. SPAHR. I do not believe that you can ever get it. I do not believe that you can ever secure it.

Mr. COCHRAN. If we cannot get the data, do you think that that should prevent us from advancing a plan to meet an emergency, or that we should just abandon it and go ahead and let things take their ordinary course?

Mr. SPAHR. I do not want to confine that to the facts you just mentioned, just public works, which is tangible, and on which you have some knowledge of what you are going to do. But to use these other ideas which you have incorporated in the bill, and on which you cannot make an accurate forecast, I do not see how they can do anything but lead you into trouble and difficulty.

Mr. COCHRAN. Throughout your statement you referred to the views of economists, and you do not refer to the views of the organization? Your statement, in the main, is the view of the gentlemen engaged in similar positions to yours?

Mr. SPAHR. Yes; that is right. That is quite right. Although it is my understanding that they are concurred in by this organization else I would not be here.

Mr. COCHRAN. Do you see anything in here where the Government actually guarantees full employment?

Mr. SPAHR. Congressman, I read the Senate hearings on that point.

Mr. COCHRAN. What is that, Dr. Spahr? I did not hear you. Mr. Chairman, may we have a little more order.

Mr. SPAHR. I read what has been said in the Senate hearings on this particular point, I said.

Mr. COCHRAN. I cannot find it. I was looking for an expression and the best I could find was that they hoped that we would have full employment.

Mr. SPAHR. Senator, I should like to say in that connection—

Mr. COCHRAN. I am only a Congressman, and not a Senator.

Mr. SPAHR. I am sorry, sir. Congressman, I attempted to cover in this very brief statement, on page 21, what I thought about that.

Mr. COCHRAN. You spoke of the plans of the Budget, and balancing the Budget, and things of that general nature.

Mr. SPAHR. The balancing of the Budget? The planning of a proper budget? Yes.

Mr. COCHRAN. That is the point to which I refer. You spoke of balancing the Budget. Have you gentlemen in your profession—economists—ever given any attention to the thought offered in concrete suggestions to the Congressmen in coming before the committees in advocating the balancing of the Budget, and in one or two plans by which you could reduce these expenditures?

Mr. SPAHR. Oh, yes, indeed. Such suggestions as that have been made many times by economists.

Mr. COCHRAN. It would mean that you would have to reduce your expenditures or you would have to collect the necessary moneys from the people in order to pay the money that we expend; is that correct?

Mr. SPAHR. I think that follows the natural sequence; that is correct.

Mr. COCHRAN. Have you ever come before any committee of the Congress, either in the House or the Senate, and advocated that, Dr. Spahr?

Mr. SPAHR. I do not recall it, not personally, I do not recall that, although I have been here many times. I have been here on other things, and I do not recall that particular one.

Mr. COCHRAN. Do you gentlemen also write to Members of Congress in reference to pending legislation which will provide for expenditures, and protest the passage of that legislation, unless funds are found to meet the expenditures?

Mr. SPAHR. I think I have seen economists make the statement, statements of that type, and recommendations of that type; yes. That is correct.

Mr. COCHRAN. Take, for instance, we have a bill pending on the floor of the House right now. It is another Federal-aid bill, and over a period of 10 years it provides for the granting of loans to States in connection with the construction of airports. We have just passed the bill which provides that the national income, that is, to the Treasury, is going to be reduced at least $5\frac{1}{2}$ billion dollars. Still, we have a bill pending now which will probably be passed today that creates a Federal-aid program wherein the Government is going to spend over a period of 10 years \$650,000,000, and that does not include administrative expenses, which you may be sure will be very heavy, for an airport system all over the United States. Do you approve of legislation like that, without providing where the money is going to come from?

Mr. SPAHR. I have only a casual knowledge of that situation, Congressman.

Mr. COCHRAN. What is that, Dr. Spahr? I did not hear your answer.

Mr. SPAHR. I say, I have only a casual knowledge of that situation. I do not know that it would be safe for me to issue a general statement that blankets all these things. I am in a safe position in respect of that question as I realize you Congressmen are with respect to these technical details that come to you on these bills, only if I have an opportunity to study them with great care, and going to all the possibilities that lie on both sides of the question. Otherwise I am in just the same position in respect to this kind of proposals that you are. I should like to see the bill itself before I should make any statement in regard to it. I can understand your problems, because you must appropriate the money, and there may be or may not be provisions immediately for receipts, and I can understand that. It is indeed a difficult problem.

Mr. COCHRAN. Would you approve of the suggestion that has been made time and time again by various people to the effect that when we do create a new subsidy that we have the title at the end of it to provide for the collection of the moneys to pay the necessary expenses that will result from the passage of that bill?

Mr. SPAHR. This comment may not be very helpful to you, but in looking at these things, I think that I have to know more about it than I presently know, and I cannot make a broad general statement which would fit all of these situations. I should think I should like to know much more about the situation before I could give you a definite answer on it.

If we could cut down on our appropriations without providing the funds, we would get closer and closer to a balanced budget, and we would probably do a better job, but I would not want to take in a large group of bills which would come under such a principle, because you take a thing like that, I would have to take it and look at it and see what it involves before I issued any statement or anything on my part. In other words, before I could tell you anything, Congressman, I would have to have the specific bill, examine it carefully, and give you a response based upon that particular bill.

MR. COCHRAN. Then let me ask you this question: Do you approve of Federal subsidies, Dr. Spahr?

MR. SPAHR. Again, that is too broad. I am afraid many of your questions are too broad for me. I might say, in general, I would be very critical as a matter of principle as to subsidies, but I can think of things that should have subsidies; for instance, the matter of the maritime operation, and the United States mails, and things that we must have in the welfare of the Nation.

MR. COCHRAN. How about the subsidies we have on the statute books now that are running up to about \$3,000,000,000 a year, where we grant the States money provided that they match it, for the control of all kinds of insects, and subsidies of every type.

MR. SPAHR. That is right. I know about these various things, Congressman.

MR. COCHRAN. Do you approve of such things as that?

MR. SPAHR. I think we have too many subsidies, and if I were here in Congress, and had something to do with these subsidies, I think I would try to get rid of as many of them as possible.

MR. COCHRAN. Nevertheless, have you gentlemen ever made any studies of subsidies with a view of making recommendations?

MR. SPAHR. When you say "you gentlemen," I presume you are referring to economists?

MR. COCHRAN. Yes; I am speaking from the standpoint of the members of your profession, Dr. Spahr.

MR. SPAHR. Oh, yes; there has been such recommendation; in fact, there have been many of them. A man in the department of which I have the honor to be chairman has made a special study of subsidies. I think it was done for the Citizens National Committee. I believe you can get that study from the Citizens National Committee, and it is a very illuminative document. If you wish, I will be glad to send you a copy of it.

MR. COCHRAN. I would be glad to have it, and as a matter of fact I think probably every member of the committee would be. We have a bill pending now providing for research laboratories in connection with the establishing by the Government of laboratories for fertilizer to find better fertilizer, and so forth. It provides for three laboratories. Do you approve of legislation of that kind?

MR. SPAHR. I might. That might be something that private enterprise would not undertake, and yet it would be something that the Government should undertake.

MR. COCHRAN. The fertilizer industry is a very large industry in this country.

MR. SPAHR. Nevertheless, the Government might be doing something for the Nation as a whole, and particularly for an undeveloped

section of the country which would be socially and economically desirable, and nevertheless it would not be something which private enterprise could properly undertake.

Mr. COCHRAN. The reason I would like to ask your opinion in that regard, Dr. Spahr, is because I received a letter from a medium-sized city, from the chamber of commerce of that city, and an organization that would properly fit into this set-up, advocating the passage of this bill regardless of cost, and their only objection to the bill was that instead of having 3 laboratories they wanted 10 laboratories. Now, is not that an interference with private business, when they are not only going to set up laboratories for research work, but set up plants to make this fertilizer?

Mr. SPAHR. Congressman, I tried to state some principles in here in my statement, I realize it is very condensed. I think it is desirable to permit an over-all open, private enterprise operation, nevertheless regulated as to monopoly, to protect the weak from the strong, and it may be that there are many spheres in which private enterprise has not come and cannot come, and does not cover certain operations, which probably should be covered by some type of effort, and this could be done by the Government and might turn out to be very helpful to private enterprise in the end. You cannot state a principle, Congressman, that I would want to stick with, except it is so broad that I realize it is not very helpful in reply to your question.

Mr. COCHRAN. When we pass legislation providing for subsidies on the basis of 50 percent contribution from the State, the Government provides 50 percent and the State puts up 50 percent, and when we pass that legislation that costs money. Now, is it not a fact that the only way we can get the money is by the Government taxing the people?

Mr. SPAHR. Or, unless you get it by borrowing the money.

Mr. COCHRAN. Is it not a fact that the only way the State can get the money, in order to meet the Government expense is by taxing the people also, and the State and the Government both have to tax the people so that the people are at least going to get taxed twice, because in the end they are going to pay the bill. A double tax when we pass that type of bill.

Mr. SPAHR. It could be that it would be such a desirable thing that that would be all right, or it could be that it could be done in some other way and avoid such a situation.

Mr. COCHRAN. Do you approve of that method, or do you think some of these things should go back to the State and be handled at the State level.

Mr. SPAHR. I am sorry I cannot be more helpful to you because your questions are covering so much territory that I cannot give you a broad answer to them.

Mr. COCHRAN. Oh, no; it does not cover too much territory, that can be answered by a "yes" or "no," if you believe that the Government should tax the people and the State should tax the people to carry out the projects in this kind of a bill that I have indicated wherein it requires the State to match the money that the Government has granted for that project.

Mr. SPAHR. I would have to see the program and see what the bill is before I could make a comment. I cannot make a blind comment on these things.

Mr. COCHRAN. I do not have any more questions, Mr. Chairman.

The CHAIRMAN. Mr. Bender, do you have any questions?

Mr. BENDER. Yes, Mr. Chairman. Dr. Spahr, I should like to ask you a question: Who is the Government?

Mr. SPAHR. I should suppose it is the Executive, the Congress, and the Supreme Court.

Mr. BENDER. We are the Government, all of us.

Mr. SPAHR. You are talking about the Federal Government?

Mr. BENDER. I say in the United States the people are the Government.

Mr. SPAHR. No. I should not say so. I should not say that.

Mr. BENDER. It is your idea they are not?

Mr. SPAHR. I should say definitely that they are not.

Mr. BENDER. The majority rule in this country.

Mr. SPAHR. We elect the Government, or the people are appointed by the Government.

Mr. BENDER. You have read, of course, pretty fully, bill H. R. 2202.

Mr. SPAHR. Yes, Congressman, I have read it over carefully.

Mr. BENDER. I would like to have you tell me where the teeth are in this bill.

Mr. SPAHR. Where the teeth are in this bill?

Mr. BENDER. Yes. That is my question. Where are the teeth in this bill?

Mr. SPAHR. In other words you mean the enforcement clauses?

Mr. BENDER. Yes. That is my question.

Mr. SPAHR. I think it is probably in the escape clauses in which the Government decides that if private enterprise is not doing the job to provide sufficient employment the Government will step in. I think I quoted in a section of my statement the section of that which I think will answer your question. Here is the part to which I had reference, and I believe this will answer your question.

Mr. COCHRAN. I should like to hear what it is.

Mr. SPAHR. If you will give me just a moment, I think I can find it. It goes on to say:

* * * the President is required to present a program designed to contract this volume.

Also, in the second paragraph it says the following:

He is also authorized to submit supplemental or revised estimates, or programs, or legislative recommendations to Congress from time to time. He is required to review all Federal investment and expenditure quarterly to ascertain any changes supposed needed in the volume of Federal investment and expenditure and the rate of Federal investment and expenditure may be varied to whatever extent and in whatever manner the President may determine to be necessary for the purpose of assisting in assuring continuing full employment.

I would say that this really opens the thing wide open for the administration, that is, the President and his administrators and others, to whatever seems necessary.

Mr. COCHRAN. Do you not regard that—

Mr. BENDER (interposing). I have not finished.

Mr. COCHRAN. Oh, I thought you had finished. Please go ahead.

Mr. BENDER. Do you regard that as anything more than a pious phrase?

Mr. SPAHR. I certainly do. I think it opens up the entire matter. I think it opens the field entirely.

Mr. BENDER. What are the penalties in this bill?

Mr. SPAHR. The penalties to whom? To whom do you refer?

Mr. BENDER. Penalties to whoever fails to comply with the provisions of this act.

Mr. SPAHR. As I see it in here there are none. There are none.

Mr. BENDER. That is the answer then, is it not—there are none?

Mr. SPAHR. That is correct. There are none.

Mr. BENDER. There is considerable material discussing this bill that comes to the desks of the members of this committee every day. For instance, here is a pamphlet that is entitled "What People Think About Full Employment." This is a poll that was allegedly taken in the Second Congressional District of Illinois. I just want to read two or three items here. You will notice that this is a poll that was taken in the Second Congressional District of Illinois, in which field it failed to reveal a heavy preponderance of support for the essential proposals of the Murray full employment bill, but the general lack of information about the bill itself seems to be more illustrative than anything else—they did, of course, stand in general support of the bill on the general theory of full employment. There is a statement that is made in this report—and I do not know anything about the report beyond the fact that it is just another one of these things that has come to us—which apparently indicates that 60 volunteer clerks took the poll in this district. The question is, Have you heard of any bill before Congress that will plan for enough jobs for everyone after the war? The replies were: 69, "No; we did not"; "Have heard, but have no idea what it is," 19; "Have heard, but have wrong idea what it is," 4 percent; "Have heard and have right idea," 8 percent. Would you say regarding the entire question that there is considerable extraneous matter on both sides, and claims and representations that have been made regarding this bill that are not a part of the bill itself?

Mr. SPAHR. I have seen a lot of that. I have a very large file on that. In fact, I keep a very extensive file on that very thing, and much of the material is related to that statement of the purposes, and not to the mechanism, because that is of course technical, and of course the statement of purposes, as is alleged here, will not be a statute even though it is incorporated in the bill, because it is still a statement of purposes in the preamble, and nothing more. I think that is what the public have had in mind, and I think that is what they understand in connection with this thing, and I think that is what they have their ideas about, rather than the bill itself. My major contention here, at the beginning of this is that this a very technical thing to touch upon, a technical thing that an economist has to deal with. I know of nothing more difficult than this, and the layman just cannot understand it. Therefore, we insist that this bill when we discuss it, I think of necessity this bill when it is discussed by the public, they are discussing the purpose, and of course, the purpose of this bill is really a very minor part of this mechanism. It is not a part of the mechanism at all. This appears in the preamble.

Mr. CHURCH. Will you talk a little louder, please. I simply cannot hear you down here, and I am very doubtful if the stenographer who is trying to take down what you are saying can hear you either.

The CHAIRMAN. Yes. If you will keep your voice up, please, so we can all hear you.

Mr. SPAHR. I am sorry. The important thing here in my judgment is a careful analysis of this mechanism, which the layman will not understand, and a bill like that is a dangerous thing because it would be as though we have some technical question of chemistry coming up, or a question involving the physical health of the people, and they go out and take a poll on it, instead of calling in experts in medicine and experts in chemistry to decide the matter. We are not that irrational with matters of health, but apparently we are with matters of economy. We do not take the bill itself, but we are discussing the preamble. I say that this bill is as technical as anything that you will find in the field of chemistry or medicine. It takes chemists and not laymen, and they must be experts in order to determine the problem. That little pamphlet that you have here is a very fine example of the difficulty. Here is some person taking a poll writing down a lot of things that they conceive to be are within the confines of this bill, and in that connection I might say here, repeating a statement that has been made before, that a lot of these people do not understand the meaning of national income at all, the statement being, "It is said that national income has no meaning no matter what definition is adopted." There are economists that take that position, and that is something that a layman cannot touch, he simply cannot touch anything like that at all. Yet, this bill rests upon that conception, and it will fall upon it or rise upon it as the case may be. This bill rests upon that conception. So I am quite aware of that, because we have a very large file of things of that type, polls that have been taken of this type of poll.

Mr. BENDER. Dr. Spahr, obviously that poll was taken by those who favor the bill. After they had taken the poll on the general question they stated the purpose in this manner, and I would like to know if you think that this understanding of the bill is correct when they say this, and I will ask you this simple question: What would you think of a bill like this—that is what they inquire—first, the President would find out just how many jobs are going to be for the coming year, then if there were not enough jobs for everyone Congress would give financial help to provide business, so that it could provide more places—then, if there was still too few jobs, the Government would give contracts to provide business and public building works to make up the balance of the jobs needed; is that correct?

Mr. SPAHR. I am sorry, I could not hear you very well as you were reading that, but, as I understood you, I would say that is substantially correct.

Mr. BENDER. Mr. Chairman, could we have a little more order, please.

The CHAIRMAN. Let there be order. Gentlemen, we must have order.

Mr. BENDER. That was in response to this proposal, and their bill indicates: For, 83; against, 12; doubtful, 5 percent. Evidently you agree that is a correct appraisal of the bill, in any event? Will you go that far, regardless of what you say about the value of the poll, or its significance?

Mr. SPAHR. If we eliminate the value of the poll, or its significance, I think that this is a correct appraisal of the bill, as I understood you to read it.

Mr. BENDER. Of the contents of this bill?

Mr. SPAHR. I think so. I think that is right.

Mr. BENDER. You feel that that is a correct appraisal and, as such, you are against it?

Mr. SPAHR. I think that is correct, and I am against it.

Mr. BENDER. In a few words, what is your principal reason for being opposed to this proposition?

Mr. SPAHR. The Government could not tell, it could not tell what is going to happen, first. Second, the Government could not deliver, could not deliver unless it were to regiment its economy. On the other hand, if we have the other alternative, and if we want to maintain free-enterprise system, I suggest this is my paper, I think we have a better alternative to that which can be put into effect and which I think will accomplish the desired result much more closely and will bring it about much more nearly than will this proposal here. I think it comes down, as I said, to the issue as to whether we will have to regiment our economy or whether we will really try to maintain private-enterprise system in order to re-create prosperity and raise the standard of living and increase the freedom of the individual.

Mr. BENDER. Have we ever regimented our economy?

Mr. SPAHR. Certainly we have, during the war. There is no question about that.

Mr. BENDER. I thought we did before the war a little bit; is that not so?

Mr. SPAHR. It is always a matter of degree. I do not believe that I would call that an economic regimentation then, but we were crowding up on it in one way or another very rapidly at that time.

Mr. BENDER. How long would you say we have been moving in the direction of regimentation?

Mr. SPAHR. I would say it is always a relative thing, ever since we have government and regulation we have some regimentation. It is a matter of degree. I think we have moved rather fast on it during the 1930's.

Mr. BENDER. Mr. Chairman, that is all I have to ask the witness.

The CHAIRMAN. Mr. Gossett. Do you have any questions?

Mr. GOSSETT. A few, Mr. Chairman. It is like strychnine—in small doses it is beneficial when taken; in large doses, it is fatal?

Mr. SPAHR. That is quite true. Sometimes the matter of degree is a very important matter.

The CHAIRMAN. Have you any more questions, Mr. Gossett?

Mr. GOSSETT. I believe that is the only thing I have.

The CHAIRMAN. Mr. LaFollette, do you have a few questions for the witness?

Mr. LAFOLLETTE. I have some questions.

The CHAIRMAN. You may proceed, Mr. LaFollette.

Mr. LAFOLLETTE. Dr. Spahr, as you pointed out, starting at the bottom of page 19, then you go on in the balance of your statement, and you state the alternative program.

Mr. SPAHR. Yes; from there on I set it out fairly fully.

Mr. LAFOLLETTE. Among other things you say:

They should protect the weak from the strong and give careful consideration to ways to aid the needy, aged, and helpless without undermining their self-reliance and self-respect.

Would you mind telling me of a specific program or policy that you think the Government could follow to carry that out?

Mr. SPAHR. Yes, sir; that would refer, I should think, to what we now have in the shape of our social-security program, or our program to take care of unemployment in the case of old age, old-age unemployment, and sickness. It is one of the most difficult things that we have ever had to legislate on. How far you can go to protect the weak and helpless, aged, and still not undermine their independence and self-respect is always a matter of opinion. I want to say there, that there is some field for social security. We should do all we can that is within reasonable bounds, in that direction, and at the same time not do that type of thing that will take people away and make people loaf on the job, and many of them would adopt the thing of getting money for doing nothing, and refuse to take jobs from private enterprise, so what we have to do is to work out very carefully this thing according to the very best judgment available. That is about all I can say on that.

Mr. LAFOLLETTE. In principle, leaving your own reservations, as I understand your view, there are certain limits as to it, but you have no objection, then, or you are in a sense proposing in your statement and in your broadening of it, unemployment insurance, old-age pensions, and a proper social-security system?

Mr. SPAHR. I think it is safe to say, Congressman, that in this country we do not intend to let people starve, and we try to do better than that, we try to take care of the needy cases.

Mr. LAFOLLETTE. As a matter of national legislation, when you say protect the weak from the strong, you are thinking of unemployment compensation as one proper element; is that right?

Mr. SPAHR. I think that would be one of the elements that would enter into it.

Mr. LAFOLLETTE. Along that line, how about minimum-wage laws?

Mr. SPAHR. Congressman, I should think that that is along the same line but where to draw the line is a difficult question.

Mr. LAFOLLETTE. You think that that follows in that same general field, but where to draw the line, that is a different question?

Mr. SPAHR. I think that is one of the most difficult questions that you have to answer in that regard.

Mr. LAFOLLETTE. One effect of that is to keep buying power down or keep it up in the masses, preferably, so that they can buy what is produced, and even unemployment compensation has an effect in the buying of the necessities of life, while they are out of employment; is that correct?

Mr. SPAHR. I would say that is correct. Yes; that is true.

Mr. LAFOLLETTE. From the standpoint of monopolies is it your opinion that the labor market should be completely free, that people should bargain for a wage as individuals, as they come along?

Mr. SPAHR. Oh, no. I have defined free competition on which I should see the individual laborer, and the individual laborer cannot compete with the employer, most certainly, and that would not envisage free competition. As I conceive free competition from the point of view of labor, it means that labor must be organized to compete and get anything like a reasonable basis with the employer.

Mr. LAFOLLETTE. Do you know Dr. Willford I. King?

Mr. SPAHR. Yes, I know him. He is a member of the department of which I am in charge.

Mr. LAFOLLETTE. Then you know him personally. He is a member of your own department?

Mr. SPAHR. Yes; he is a member of the department of which I am the head.

Mr. LAFOLLETTE. He has written a document which is called *Where Does the C. O. O. Programme Lead?* Are you familiar with that?

Mr. SPAHR. I may have seen it, I suspect I have. I know of it.

Mr. LAFOLLETTE. He made some statements in here about the fact that he does not think much of the minimum-wage laws, at least 65 cents an hour, he does not think much of that. Do you agree with your colleague?

Mr. SPAHR. You appreciate the extreme delicacy of the situation I am confronted with, I am sure, from the fact that he is in my department, but may I say that he is employed with us as a statistician.

Mr. LAFOLLETTE. If you do not mind me asking a couple of other questions; in this document I find this statement, and I would like to read it to you and see what you think of that; he says:

Since a considerable proportion of potential workers prefer idleness at low pay to hard work and high pay, it follows that unemployment insurance insures unemployment.

Mr. SPAHR. May I say in reply to that that he is employed as a statistician in our department.

Mr. LAFOLLETTE. He is employed as a statistician in the New York University, Department of Economics.

Mr. SPAHR. That is correct. That is right.

Mr. LAFOLLETTE. Then you do not assume any responsibility for him?

Mr. SPAHR. I do not assume any responsibility only as a statistician.

Mr. LAFOLLETTE. He makes another statement in here that I cannot quite lay my hands on, but he says that if workers were left at all times to sell their labor for the best price obtainable on the labor market there would never be any unemployment problem. Do you believe in that?

Mr. SPAHR. No; I do not share the same viewpoint in that regard.

Mr. LAFOLLETTE. I just wish to point out for the record that this thing is being circulated by the Committee for Constitutional Government, Inc., I am interested in knowing that this man is a statistician and not a leading economist of New York University. In other words I was inclined to think, Dr. Spahr, before you put me on the right track, that maybe New York University Department of Economics was interested in selling a service to the chambers of commerce of the country, and Committee for Constitutional Government.

Mr. SPAHR. I should be very sorry if you had any such opinion as that, because it would be a mistaken opinion.

Mr. LAFOLLETTE. I respect your intellectual honesty. You do not mind my having found Professor King's document and having called your attention to certain parts of it?

Mr. SPAHR. Oh, no, indeed. We all know, I think at least I should, that statisticians and mathematicians are interested in various fields.

Mr. LAFOLLETTE. And you can get psychiatrist to say a man is crazy and another to say he isn't.

Mr. SPAHR. As far as New York University is officially concerned, Dr. King is a statistician.

Mr. LAFOLLETTE. Thank you very much. I believe that is all I have.

The CHAIRMAN. Mr. Elliott, do you have any questions?

Mr. ELLIOTT. The questions I have in mind have been asked by others. I do not believe I have any now.

The CHAIRMAN. Mr. Resa, do you have any questions?

Mr. RESA. I have a few. Dr. Spahr, will you give me your definition of a compensatory economy program?

Mr. SPAHR. It is where the Government attempts to compensate for what private economy is not doing to accomplish an end.

The CHAIRMAN. Will you raise your voice a little bit, please? Off the record for a moment.

(There was discussion off the record.)

The CHAIRMAN. Back on the record. You may proceed, Dr. Spahr.

Mr. SPAHR. The question was the definition of a compensatory economic program.

Mr. BENDER. Mr. Chairman. A little louder, I cannot hear him.

Mr. RESA. If you will just raise your voice a little more, please.

Mr. SPAHR. I am very sorry. My definition of compensatory economic program would be that policy in which the Government attempts to compensate in some manner, either by putting out more purchasing power in circulation, or taking out from what private economy has not been able to do, in order to supplement it, in order to accomplish the same purpose that the Government has in mind. That may sound a little confused, but I believe that gives you my idea.

Mr. RESA. An assertion was made in your statement on page 14 which seems to indicate that you regard this bill H. R. 2202 as a measure designed to provide for transition from a wartime to a peacetime economy; is that right?

Mr. SPAHR. No, no. I did not mean to convey that though. The bill is being put out quickly in a period of transition, of course, and it has that thought in mind, but in my opinion it is a long-time program.

Mr. RESA. On page 20 of your statement you say:

In brief, if our Government officials really desire to preserve and to encourage private enterprise and private capitalism, they should give more attention to what makes it function best and what causes the maladjustments that result in unemployment. Then they should endeavor to create the atmosphere favorable to the best functioning of the system.

Do you think that the collapse which occurred in 1929 resulted—I mean the one which resulted in the depression for several years following that year—resulted from a failure to create an atmosphere favorable to the best functioning of the capitalistic system?

Mr. SPAHR. Partly, if I may say so—I teach business science at the New York University, and so I try to keep up with the main schools of thought on that. I believe that the most reputable men who have studied business fluctuations, say that the causes are both external and internal, that we have outside causes and internal causes, and that they come in various phases, in various shapes and forms, and from various sources. The Government is an outside cause. It does not operate alone. It operates against the thing. We had certain Government policies during the twenties which the Government

thought would, if they were put into effect, help to move the country along and thereby help foreign countries, and that included the matter of gold movements, in order to take care of foreign countries insofar as their currency was concerned, putting it on a stable basis, and our money policy would be assisted thereby. At the same time we were facing the matter of stabilization in this country. The mechanisms that we had and which the Government was partly connected with, and which were a part of our money market and a part of the fiscal system so operated that it let the stock market run loose, and that was one of the bad manifestations of those policies which finally collapsed and carried our economy down. Of course, that was an approximation, and a proximate cause, not the only cause, so I would say in answering your question this way that the Government partly forced that condition, and world forces caused by the other World War were aiding it under the surface, because this was something which projected over the whole world, so that our collapse was part of the world collapse, and I would be very doubtful if any government could have stepped in, no matter what type of government or what part of the world it happened to be in, they all had their collapse, regardless of the types and regardless of the causes, because the causes were too deeply imbedded to be taken out. We know this from our studies of past fluctuations, and it is a certain rather definite pattern, and the pattern has been followed of the primary and the secondary reaction, because we thought in the light of our policies in the 1920's that we were smart enough to prevent the secondary reaction. We predicted that with the Federal Reserve System that we had that we would avoid it, but we did not. We found this force that was set up, a force that comes about when you get into a war, you will have enough disturbances regardless of what your policies are, you will have reactions, perhaps a boom, and then the reaction.

Mr. RESA. Dr. Spahr, the things you are describing are definite conditions. I still am at a loss to understand what Congress could do that could be said to be the creation of an atmosphere favorable to business.

Mr. SPAHR. In my paragraph beginning with the word "specifically," being the seventh line on page 20, I enumerate a great number of those specific items that I believe would answer the question from my point of view.

Mr. RESA. One of the specific measures that you recommend is—

They should regulate in the interests of peaceful settlement of disputes rather than endeavor to produce and to direct. They should abandon the barbaric fetish that domestic wars in the field of industrial relations have some rational defense; they should proceed to establish effective machinery for mediation and arbitration.

Dr. Spahr, now, would you not say that that is a form of regimentation?

Mr. SPAHR. No more than our laws which would hale anybody into court when they commit a crime. If I strike my wife I would have to go to court. So, it is regimentation in the sense that we try to prevent crime, and assault and robbery, and things of that kind.

Mr. RESA. Am I correct in the understanding that by this proposal you mean to suggest a method for dealing with any resort to violence in strikes and other labor disturbances?

Mr. SPAHR. A proviso by which we could avoid strikes and other

labor disturbances and violence which may accompany them; providing an alternative to that.

Mr. RESA. Is it not a fact that the economic structure can be as much disturbed by a peaceful and lawful strike or refusal to work as by a strike in which violence is resorted to?

Mr. SPAHR. If I were in Congress, I would try to draft a law to make effective the prohibition of strikes.

Mr. RESA. Do you not think that that would be an impediment to the freedom of the workingman that you have referred to elsewhere?

Mr. SPAHR. I draw a distinction between the right to strike and the right to quit his job. I see no reason why labor has to strike to get an adjustment. They can organize and present their complaints, and if they cannot get a satisfactory agreement, then they can have an arbitration and mediation, and they can stay on their jobs, and in their employment, and they will not suffer unemployment and run the risk of a strike. Society would not suffer; industry would not suffer. All of us would continue. Suppose a settlement was made that labor does not like, and they might quit. He always has the right to quit, but I think that is a different thing, but when it comes to a matter of them coming back and throwing bricks through the window after a settlement has been made, I do not think that is correct.

Mr. RESA. I am not advocating that, you must understand.

Mr. SPAHR. Oh. I just want to make my position clear in that regard.

Mr. RESA. What do you propose to do in the case management refuses to arbitrate?

Mr. SPAHR. I would do precisely the same thing as before.

Mr. RESA. In other words, you would suggest or recommend measures for compulsion to cause management as well as labor to negotiate labor disputes?

Mr. SPAHR. Yes, Congressman, I certainly would do that.

Mr. RESA. Isn't it a fact that that is a form of regimentation? Would that not be an infringement upon the liberty of the American citizen?

Mr. SPAHR. Not in an undesirable way, according to my standards. I do not see where it would be an infringement of any material rights. I do not see why we should have any freedom for one and not for the other. It should be the same for labor and for management.

Mr. RESA. Dr. Spahr, you do recognize that there is a desirable and proper, as well as undesirable and improper, restriction of the freedom of citizens, in the interest of the common public good?

Mr. SPAHR. By all means. I am very much concerned with that.

Mr. RESA. Dr. Spahr, now, briefly, you used the phrase "painful amount of unemployment." If that were to occur, would you recommend that the Federal Government do nothing about it?

Mr. SPAHR. By no means; no. I certainly would not make such a recommendation.

Mr. RESA. Do you think that the Federal Government could do anything about it without incurring expenditures?

Mr. SPAHR. No; I do not think they could possibly do so.

Mr. RESA. I believe that is all I care to ask.

The CHAIRMAN. Mr. Rich, do you have any questions?

Mr. RICH. Yes; Dr. Spahr, the title of this bill H. R. 2202 says: to establish a national policy and program for assuring continuing full employ-

ment in a free competitive economy, through the concerted efforts of industry, agriculture, labor, State, and local governments, and the Federal Government.

Do you know of anything in the country, any organization, or of anyone in the country, that does not want to have full employment for all the people in this country?

Mr. SPAHR. Of course not, certainly not, not that I ever heard of.

Mr. RICH. Certainly not. No one, no organization, no individual, no Member of Congress that does not want a job for everybody, and anybody that would feel that one was opposed to a job for our people needs medical care.

Mr. SPAHR. Anybody that does not want full employment for every person in the country as you indicate, a job for everyone, I should think he would be very unwise.

Mr. RICH. I should think so too. Who are the people in this country who create the greatest number of jobs?

Mr. SPAHR. Well, the employers, industry, agriculture, farmers, the farmers themselves. Industry, I believe. I do not know how that will count up as against the farmers. I would have to look it up.

Mr. RICH. Industry could not exist if it were not for the employees.

Mr. SPAHR. Obviously industry could not exist if it did not have employees.

Mr. RICH. They are the most vital, the most essential, I do not want to say "commodity", I am seeking a better word, because that is not the word I have in mind.

The CHAIRMAN. Element? Constituent?

Mr. RICH. Thank you, Mr. Chairman. That enters into the operation of any business?

Mr. SPAHR. There can be no question of that.

Mr. RICH. Labor is the most important thing that you would have?

Mr. SPAHR. When you say industry you are taking into consideration labor and management and capital, and natural resources; it is obviously true.

Mr. RICH. If we want to give everybody employment, and we want to see that this country is successful, it is necessary then for us to try to see that everybody has a job; is that correct?

Mr. SPAHR. That is the thing that we should try to do.

Mr. RICH. If this bill is enacted, does this bill give any false assurances that everyone will have jobs if we pass this bill?

Mr. SPAHR. I think it is an unfortunate implication, Congressman, in this bill that goes out to the public, and gives the public the idea that Congress can do what is in the declaration of the purpose that is set out, and it cannot do it—I repeat, it cannot do it.

Mr. RICH. I quite agree with you, I certainly do agree with you. But in your report here you give the Government as an economic forecaster, and you point here that in 1937, we will take that year, that the Federal Government gave a certain amount for estimated receipts and expenditures, but they found out later that they spent 30 percent more than they figured they would spend, and they found out that their receipts for that year, they found out that they were 6 percent less than the amount of receipts, that is, they had 6 percent less receipts and increased expenditures of 30 percent. Take the year of 1938, they figured that they would spend a certain amount, and they spent 30 percent more, in fact it was 32 percent more than they said they would, and they found out that the receipts were 14 percent less than they

figured they would be. Sometimes it seems to me that we have pretty bad forecasters in the Government, do you not think?

Mr. SPAHR. You are bound to have; of necessity you are bound to have.

Mr. HOFFMAN. By forecasters, I think we could go a little further and say that bad forecasters are inevitable, bad forecasters because they are attacking an impossible situation, is that not so, Dr. Spahr?

Mr. SPAHR. That would be my idea about it. I think that is the consensus of opinion.

Mr. RICH. The situation is this: That in determining accurately these things that would have to be done by the Government it would be a very difficult job for the President or any economists or board of advisers that he may appoint.

Mr. SPAHR. That is correct, it would be an impossible job, as a matter of fact.

Mr. RICH. I quite agree with you there. As a matter of fact, does not this bill tend to destroy the soundness of Federal finances?

Mr. SPAHR. The bill embraces the idea of compensatory financing. It has the idea of working both ways, but when this thing is put out, this tax program, it is almost always one that works in the way of deficit financing which means that the deficit will grow, and it will almost always be greater and greater each year. If the program is to be enforced, you could not logically prevent it.

Mr. RICH. If we lend encouragement in every way possible to the people in this country who want to create jobs, and I believe we will be better off in trying to encourage them than otherwise, try to encourage them definitely by a private enterprise, then we will not have the Government entering into the field of trying to create jobs—is that your opinion?

Mr. SPAHR. If I understand your question, I believe it would be much better to try to encourage private enterprise, and see that private enterprise creates these jobs, than having the Government enter into the business field and trying to create jobs, because history has shown it never works out.

Mr. RICH. That is my idea. I think if we should lend encouragement in every way possible to the people of this country who want to create jobs for our people—I believe we will be better off, much better off, in trying to encourage them through private enterprise than we will by having the Government enter into the field of trying to create jobs. Would you say that is a sound idea?

Mr. SPAHR. Yes; as I said before, it is entirely correct. Now, Mr. Chairman, may I say something off the record?

The CHAIRMAN. Off the record.

(There was a discussion off the record.)

The CHAIRMAN. Gentlemen, due to a legislative situation we will be unable to hold a hearing this afternoon, but our next witness will be Mr. Arch D. Schultz, representing the Ohio Chamber of Commerce. We will be unable to hear him now, but I want to have his statement placed before the members, and we will take him up tomorrow morning, and question him in regard to his statement.

The committee will now stand adjourned to reconvene tomorrow morning at 10 a. m.

(Whereupon, at 12 o'clock noon, the committee adjourned to reconvene on Thursday, October 18, 1945, at 10 a. m.)

FULL EMPLOYMENT ACT OF 1945

THURSDAY, OCTOBER 18, 1945

HOUSE OF REPRESENTATIVE,
COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS,
Washington, D. C.

The committee met at 10 a. m., Hon. Carter Manasco (chairman) presiding.

The CHAIRMAN. The committee will be in order. Our first witness is Dr. George Benson, president of Harding College.

Mr. HOFFMAN. Mr. Chairman, before proceeding with the witness, I would like to make a short statement for the record.

Yesterday, when Mr. Cochran was questioning Dr. Spahr, he called attention to the fact that small business firms, industrialists, manufacturers were coming to the Government for aid. To me it appeared that his purpose was to point out some claimed inconsistency between small business opposing this bill and its actions in seeking assistance from the Federal Government in other matters.

I only want to call attention to the fact that those coming to the Government now come in opposition to directives of the OPA and are seeking relief from orders of Government agencies heretofore established. They are not asking for aid in the sense of wanting the Federal Government to grant them relief from either normal or abnormal conditions, other than those which had been created by Government agencies.

Also I want to insert in the record at the close of the testimony of Mr. Cowan, a statement from the Sinclair Oil Corp., sent to all stockholders of that corporation—of which I am not one. Mr. Cowan had stated that many of these advertisements in newspapers, offering jobs, were, according to my interpretation of his testimony, not made in good faith. One other witness intimated the same thought, that oftentimes the compensation for the jobs was less, in the new job, than was the compensation in the old job.

Here is the letter, dated October 10, 1945, and I would like to have it made a part of the record at that point in the record that I indicated. The letter speaks for itself.

The CHAIRMAN. Without objection, it will be incorporated in the record at the close of Mr. Cowan's testimony.

(The letter referred to is as follows:)

SINCLAIR OIL CORP.,
New York, N. Y., October 10, 1945.

Subject: The oil strike.
To Stockholders, Sinclair Oil Corp.:

This letter is sent to you because we believe that as a citizen and a stockholder you should have the facts with relation to the strike in the oil industry that began on September 19 last.

We have an agreement with the Oil Workers International Union, CIO, which called the strike against our operations, providing, among other things, that there shall be no strikes, slow-downs, or lock-outs during the term of the agreement, which does not expire until May 31, 1946. The agreement also contains provisions for the arbitration of "all grievances and disputes." As to disputes which are general in character, including controversies as to wages which affect a large number of employees, there is a specific method of arbitration provided in the agreement.

In violation of these covenants, and the War Labor Disputes Act, the Oil Workers International Union called a strike at our East Chicago, Ind., refinery on September 19. In the period between that date and October 2, all of our refineries were struck, and practically all of our pipe-line systems, a large part of our producing operations, and many natural gasoline plants.

The demand, refusal of which brought about the strike, was for 52 hours' pay for 40 hours of work. The slogan of this movement was "52 for 40, or fight."

The assertion that the objective of the union was to preserve the "take-home pay" is appealing but misleading. No employee involved in this dispute has suffered any reduction in take-home pay. If the demanded increase had been granted, the wages of all employees (whether they have been working 40 or 48 hours a week) would be increased 30 percent.

Under the 48-hour week, employees have been making the following earnings:
Common Labor (at 96 cents an hour) \$216.32 a month, or \$2,596 a year.

Stillmen (at \$1.52½ an hour) \$343.63 a month, or \$4,123.60 a year.

At the average earnings of refinery labor (\$1.27 an hour) employees have been making \$286.17 a month, or \$3,434.00 a year.

It is such hourly rates as these that were, under the union demand, to be increased 30 percent.

In addition to their wages, our employees are granted sick leave with pay (3 weeks at full pay and 12 weeks at half pay); vacations with full pay (1 or 2 weeks depending on length of service); pensions, and \$1,000 life insurance, for which the company pays the entire cost.

The Government of the United States, acting through the Secretary of Labor, appealed to the oil companies and the union to settle the strike by arbitration because "if it should be prolonged and extended, its results would put into jeopardy the very lifeblood of American economy." The Government's effort failed, and on October 4 under an Executive order of President Truman, all strike-bound refineries and other industry facilities were taken over and operated by the Secretary of the Navy. The union announced that it would work for the Navy, but was "still on strike against the oil companies."

Although only the wage issue was discussed in the Chicago and Washington conciliation proceedings, we are on notice from the union that it does not intend to forego additional demands, including the closed shop, shift differentials (extra pay for night work), additional paid holidays (we now pay for six), increased pensions, augmented sick-leave payments and termination pay, and that as soon as the 40-hour week is established the union will demand a 36-hour week "or less" with no reduction in pay.

The strike disrupted operations over a period of 2 weeks; it has delayed reconversion to peacetime operations and postponed making available to the public improved gasoline in increasing quantities; it will interfere with carrying out our program for the reemployment of more than 3,000 of our people in military service.

We do not intend to discuss the moral, economic, and inflationary aspects of this strike, although these considerations cannot be overlooked. We have endeavored here only to give you the facts.

It is suggested that stockholders avail themselves of every opportunity to pass along to others the information contained in this letter.

Very truly yours,

H. F. SINCLAIR, *President.*

Mr. HOFFMAN. I should like to offer also a letter from a constituent whom I know personally and for whom I can vouch.

(The letter referred to is as follows:)

W. L. HAMILTON & Co.,
Bangor, Mich., September 1, 1945.

Congressman CLARE HOFFMAN,
Washington, D. C.

DEAR MR. HOFFMAN: There seems to be quite an agitation in Washington to pass a Federal unemployment act.

This would work no better than our Michigan State law, which is a farce and should be repealed, because in its actual working it places a premium on loafing.

Recently the Centrifugal Steel Casting Co., Kalamazoo, employing 80 men, closed down because of war cancellations. Adjoining this firm is located the U. S. Foundry Co. Learning a few days before the closing, the U. S. Foundry advised the Centrifugal management, and the employees, they could use 10 men, so no time would be lost. In like manner the Reed Steel Foundry offered to take on a great many if the discharged wanted employment. With what result?

One man reported at the U. S. Foundry, and not a single man reported at Reed's. Why? We have been told 26—Lord knows how many more—are enjoying a vacation because of compensation, while we fool taxpayers are footing the bill, or at least partly so.

If the above was an isolated case, we might be reconciled to our State law, but we sincerely believe it is typical.

Again, it would not be so bad if not for the fact that such firms as Reed's and the U. S. Foundry are only producing but a fraction what they might produce if they had more labor.

If a Federal law is passed, why not tie it into a law providing jobs on public improvements rather than giving money for no service performed? Our State law does not work and serves only to pay a premium on indolence. Why make such a law a Federal disgrace?

Yours very truly,

W. L. HAMILTON & Co.
W. L. HAMILTON.

Mr. HOFFMAN. Along the same line, Mr. Chairman, from the Washington Daily News of October 16, an article by Thomas L. Stokes, who cannot, I think, be classed as a reactionary or in the employ of business interests. This article is dated from Hartford, Conn., and seems to give an accurate picture of this question as to whether there is unemployment. It is very short, and if there is no objection I would like to put it in the record.

The CHAIRMAN. Without objection, it may be put in the record.
(The matter referred to is as follows:)

RECONVERSION PICTURE

(By Thomas L. Stokes)

HARTFORD, CONN., October 16.—A survey here yields a good picture of reconversion at this stage in centers of highly diversified industry. Most Connecticut and New England industry generally is well diversified.

As for the over-all, some 20,000 persons lost their jobs here suddenly when the war with Japan ended. Of this total, about 15,000 were in aircraft. A good many of the others were in ordnance manufactured at all sorts of converted peacetime plants. Hartford is headquarters for United Aircraft, which contributed so heavily in engines, propellers, Vought Corsair fighters, and Sikorsky helicopters. It used its own plants and licensed plants of other corporations.

Unemployment compensation rolls here jumped from 1,700 on August 11 to 13,400 on September 15. A drop in new claims the week of September 22 indicated that the situation was leveling off, which seems to be the case in other centers in this State.

* * * * *

A realistic analysis of the employment situation here, as to the psychology and reactions of workers, comes from John G. Confrey, a veteran of 18 years' experi-

ence in this field who has worked with the State unemployment service here since it was established in 1938.

He knows people and is inclined to be philosophical.

There were reports that people who were laid off just wouldn't take jobs. He had his staff make a careful check, a sort of Gallup poll, with generous samplings.

This revealed two things. One was that people were holding off, hoping to get better jobs with higher wages than those offered—wages somewhat more closely approximating wartime pay. The other was that many jobs were offered in other cities and that raised a transportation problem.

* * * * *

"They are looking around. They are pretty choosy. And look at the weather."

He grinned. It was a mild October day.

"There is neither a concentration on getting jobs, nor a concentration on not getting them," he said.

* * * * *

Incidentally, Mr. Confrey said that returning veterans do not fall into a class with a particular approach and problem, but react just like everybody else. Some take jobs. Some are holding off.

People who do not want particular jobs offered have their own ways of rejecting them, he has discovered through experience. He explained:

"They'll go to the jobs—yes. But they put on a long face and make themselves generally unpleasant. Or they get to work late. They have their ways of getting themselves found unsuitable."

Many women war workers are in this category. Most of them probably will go out of the labor market and back into their homes, though it is not possible yet to accept that as a rule. Meanwhile they are drawing unemployment compensation and under the law offering themselves for jobs.

* * * * *

There are many jobs in this community, though at lower wages, and more are being created as reconversion progresses. The Royal Typewriter Co. is getting ready to supply a huge market. The Fuller Brush Co., with headquarters here, is preparing to send out salesmen to make their spiels to housewives. Insurance companies can absorb many white-collar workers. Several recently have announced wage increases. Newspapers are full of advertisements for work.

Reconversion has gone ahead swiftly in other centers in this State, with many long-missing articles getting back on the market. It has been a most commendable job on the part of industry.

Mr. COCHRAN. Mr. Chairman, I would like to suggest to the gentleman from Michigan, Mr. Hoffman, that he contact Mr. Maury Maverick, who is head of the Smaller War Plants Corporation, and get figures showing the millions that have been advanced, through his Corporation, to small business people who have applied to him for assistance.

Mr. HOFFMAN. I have not the slightest doubt of that; nor have I the slightest doubt but that the amount so far advanced is insufficient, and that the necessity for those advances arises from the policies of the Federal Government, which tend to hamper, restrict, and in some instances destroy small business.

For example, I cite the case of a constituent in my district who secured a loan from Mr. Maverick's Corporation of \$150,000, in reliance upon a written order of Mr. Bowles establishing a price for certain products. The order was made on the 28th of April of this year, after a full and complete investigation. The company borrowed \$150,000 from the Smaller War Plants Corporation and employed an additional 100 men and sold over half a million dollars' worth of their product. Then, on the 31st of August, a subordinate in the OPA rescinded the order of Mr. Bowles and took away from the manufacturer the price that had been given, and in reliance upon which the Smaller War Plants Corporation had made the loan. That ac-

tion, if it stands, made it possible for the people, such as Wanamaker's and Marshall Field, to whom this manufacturer had sold his product, in reliance on that order, to bring action for damages.

Of course, the Smaller War Plants Corporation will have to bail that company out, if Mr. Bowles is permitted to go back on his written order, in reliance on which the Government and the industry went ahead. We hope to have the order of April 28 reinstated.

Mr. COCHRAN. I am not taking the word of the witness or anybody else that small business as a whole is opposed to this bill.

Mr. RICH. That may be your own personal opinion, but it is not my personal opinion.

Mr. COCHRAN. The gentleman has a right to his opinion, as I have a right to mine.

The CHAIRMAN. Dr. Benson, you may proceed.

STATEMENT OF DR. GEORGE S. BENSON, PRESIDENT, HARDING COLLEGE, SEARCY, ARK., CHAIRMAN OF EXECUTIVE COMMITTEE, ARKANSAS PUBLIC EXPENDITURE COUNCIL

Dr. BENSON. My name is George S. Benson. I am president of Harding College at Searcy, Ark. I am also chairman of the executive committee of the Arkansas Public Expenditure Council, a taxpayers' organization. I come here as a private citizen who is interested in the future of our country. I have been authorized by officers of the Arkansas Farm Bureau and by officers of many other Arkansas organizations to say that these organizations are in agreement with the principles of my testimony. I have been asked also to represent the Arkansas Public Expenditure Council.

With regard to the full employment bill recently passed by the Senate (S. 380), I wish to confine my testimony to three items in the bill.

First: This bill states, in section 2 (c) :

The Federal Government has the responsibility * * * to assure continuing full employment; that is, the existence at all times of sufficient employment opportunities, for all Americans able to work and desiring to work.

When Mr. Albert Goss, master of the National Grange, testified before the Banking and Currency Committee of the Senate, he recommended that this be changed to read :

It is the responsibility of the Federal Government to pursue such consistent and openly arrived at economic policies and programs as will prevent monopoly and encourage economic returns to its citizens in approximate proportions to what each contributes to the general welfare, as the basic means of securing the highest level of consumption of consumer goods, and personal services, thereby assuring the highest level of employment opportunity through private and non-Federal investment and expenditures.

I should prefer amending it so as to read :

The Federal Government has the responsibility to assist always in providing conditions which will enable competitive private enterprise to provide at all times sufficient employment opportunities for all Americans able and willing to work.

In event it is not so amended, I would then suggest the change which I have just read, recommended by Mr. Goss.

Second: I would eliminate section 2 (d) (3), which provides that

the program of the Federal Government shall provide for an increase for the aged sufficient to enable them to maintain a decent and healthful standard of living and promote the retirement from the labor force of the older citizens.

This section has come to your attention many times vested in various verbiage. It is probably best known as the Townsend plan.

Third: I would eliminate section 2 (d) (4), which requires Federal investment and expenditures for the purpose of providing full employment.

SOME GOOD FEATURES

In my opinion, this bill is neither wholly good nor wholly bad. It contains provisions which can help America reach new heights of prosperity for all of its citizens, and it also contains provisions which can destroy the mainspring—that motivating force which has brought to America a measure of prosperity never attained by any other nation anywhere at any time.

Briefly, the bill provides three things, namely:

1. Cooperative planning.

2. A guaranty by the Federal Government that even though an individual is a lazy, untrustworthy drunkard most of the time, yet whenever he sobers up and looks for a job, one will be waiting for him.

3. An income for old people, usually called the Townsend plan.

I strongly approve of the principles behind the first item mentioned; cooperative planning, which in this bill is called the national production and employment budget. My experience does not qualify me to discuss this portion of the bill in detail. I do hope, however, that you will see fit to retain these principles of planning and that Congress will create a joint committee on the national budget.

Naturally, I am in sympathy with the idea of continuing full employment and want to see it assured in the fullest possible measure. I therefore wish to urge the elimination of section 2 (d) 3, known as the Townsend plan, because I believe it would bankrupt the country, undermine the spirit of self-reliance, which is responsible for America's greatness, result in lower wages, and more unemployment. I suggest that this subject be referred to the groups in Congress and in government who are studying social security.

I also urge the elimination of the statement that the Federal Government has the responsibility to assure continuing full employment for all American able to work and seeking work, and I urge the elimination of section 2 (d) 4, which underwrites public works and other Federal expenditures for the purpose of providing these jobs. I believe these sections would weaken national morale and actually prevent continuing full employment.

SLUR AT OUR BEST PEOPLE

Gentlemen, I believe that if Congress passed a bill stating that our Government has the responsibility of providing a job for everybody able to work and desiring to work, it would be resented by a majority of our citizens. It would be received as a direct, personal insult by every independent, self-reliant individual in this country, both native and naturalized.

I was born on a frontier farm in western Oklahoma, when our nearest railroad was 60 miles away. My father worked hard, and the whole family worked. After finishing grammar school, I was granted permission to leave home, to attend high school and college. Neither one existed in our community. I had the privilege of earning my own way while acquiring an education. We all rejoiced in this, and our other opportunities. Not a member of the family thought Uncle Sam or anyone else owed us anything.

If somebody had spread a rumor in our community that my father was no longer willing to be personally responsible for himself and his family—that he thought the Government ought to accept the responsibility of providing him a job at good wages, he would have felt indignant. He would have been disgraced.

From my position as president of Harding College I know that whenever you place responsibility upon the Federal Government to provide jobs, you will be injuring American citizenship; injuring a constantly increasing proportion of them, just as much as if you cut off a leg and substituted a crutch. This is a strong statement but it is one which I can prove—one which I have seen demonstrated hundreds of times while serving as head of a college.

Most of the young people who attended Harding College during the great depression had to work for a part or all of their college expenses. They knew that finding a job after leaving college was their own responsibility. On the other hand, Harvard and Yale enrolled many sons of wealthy men, who felt confident that when they graduated, the responsibility of finding a job was dad's, not theirs. When these young men graduated in the midst of a long depression and dad couldn't get them jobs they were helpless, knowing neither how to find a job nor make one for themselves. Many of them were jobless for months; even years.

A POINT OF PRIDE

Do you know how many of the graduates of Harding College failed to find jobs or make jobs for themselves during the depression? Not a single one. Every one who wanted to work found work or made work. Why could every Harding College graduate do this while many graduates of great universities could not? What was the difference? Simply this: We emphasized, to our students every day the necessity of self-reliance, individual responsibility, and individual initiative. We did, in student assembly and in classroom, what was done in almost every American home in the days of Abraham Lincoln.

Suppose, however, that our students had been taught at home that it was the responsibility of dad or of Uncle Sam to find jobs for them, and we had not corrected this false teaching. What would have happened when they graduated in 1934 or 1938? They could not have earned a living; just as the person who has never tried to stand on his own feet can't walk. I wonder how many members of this committee understood at an early age that they would have to find their own jobs and earn their own living.

I cannot believe that any man would be a stronger, more capable, more self-reliant citizen for being taught in childhood that, regardless of what he did the Government would always have a job for him; that no matter how often he was fired for drunkenness, for dishonesty,

or for laziness, the job would always be there whenever he became disposed to return to work and was able to work.

For Government to assume the responsibility of providing a job for each and every individual is ridiculous and injurious.

It would create almost immediately a nation of dependent weaklings. It would destroy initiative, limit production, and reduce the national wealth.

Gentlemen, I say if this Congress tells the world that the American people are no longer self-reliant, tells the world that our two-fisted, two-legged upright Americans have accepted the old crutch upon which decadent civilizations have traditionally hobbled to their graves, it will administer the most damaging blow that this generation of mankind has ever sustained.

These words are not guesses. I am not dreaming. The proof of these statements is available to everybody. If you want an illustration, look at the pathetic remnants of that sturdy race of Americans who were here when the Pilgrims landed. As wards of Uncle Sam, without a thing to worry about, they are moving through decadence toward extinction.

WHERE CAN IT STOP?

If this Congress announces to the world that it is the duty of the Federal Government to guarantee to all workers, continuing full employment, we must assume that the next year the Congress will be ready to make the guaranty all-inclusive by assuring every farmer, every merchant, every businessman, and every corporation a continuing annual profit. If not, why not?

Gentlemen, if you are considering such a fundamental change in our established philosophy—a change from self-reliance to dependence upon Uncle Sam, let us look for a minute at what we have achieved under our present way of life, and view what we would be giving up.

ACHIEVEMENTS OF PRIVATE ENTERPRISE

Self-reliance in America has developed the greatest wealth this world has ever known. For instance, at the beginning of World War II, the national income of America exceeded the combined national incomes of the six next highest countries. America's average per capita income was twice that of any other great country. We had more young people in high school and college than had all the rest of the world put together. Industrial wages in America in 1939 were twice as high as in England, Germany, or France, and five times as high as in Russia. Agriculture made use of abundant machinery, making it possible for one man to farm 100, 200, 300, and even 400 acres. An American farmer produces much more than he and his family can consume. He exchanges his surplus for manufactured things—clothing, an automobile, a telephone, a refrigerator, a radio. Both labor and agriculture in America have enjoyed the highest standards that wage earners and farmers ever have been known to experience.

In turn, industry has created material wealth in great abundance. The average American is richer than was Solomon, who with all his wealth, didn't have enough money to buy a daily newspaper. Solomon in all his glory had no electric lights, no telephone, no radio, no refrigerator. The royal chariot was horse-drawn.

TIE NOTHING TO FAMILY TREE

This singular American prosperity is not due merely to our heritage, excellent though it is. We are chiefly of European stock. Our unique achievements are not due merely to our varied natural resources, abundant as these resources are. The American Indians had the same resources for centuries without creating any considerable wealth. England, since the destruction of the great Spanish Armada, has not wanted for her share of the world's natural resources, yet even in England, wages have never been more than half as high as the scale developed in our country. Russia has as wide a variety of natural resources, and twice the quantity that we possess. She has about 160,000,000 people and much more territory than we have. If it were merely a matter of resources, Russia would be paying higher wages than we, and would have attained a higher standard of living than America. But no—her wages are only one-fifth as high as ours and her standard of living correspondingly low.

IT IS OUR SELF-RELIANCE AND FREEDOM

What's different in America is our measure of individual initiative, freedom, and liberty. Under the freedom guaranteed by the American Constitution, each man is at liberty to dream his own plans and to materialize his own visions. Every man is free to set about fulfilling his aspiration. Moreover he is individually responsible for its fulfillment. Exceptional individuals, who have struck off from the beaten path and accomplished what no one else thought possible, are the men who have developed our American way of life. Henry Ford is a good example. When he resolved to pay \$5 a day for common labor, other employers thought he was crazy. When he decided to make an automobile that farmers could afford to buy, people laughed at the idea. But Ford succeeded in making and selling the inexpensive automobile. He revolutionized private transportation in America. Just such accomplishments by free enterprisers have made America different and better.

No country with a government guaranty of jobs, which by its very nature requires a government-planned economy, ever has achieved an average per capita income half as high as America's. No country, using even a partially government-managed economy, has achieved income more than half as high as ours. Our self-reliance, our freedom, our liberties; these are the secret of our prosperity.

It was during the days of Athenian democracy that Greece attained her highest achievement. It was during the days of the Roman Republic that Roman justice reached its zenith; when men sought Roman citizenship; bought Roman citizenship. It was following the Magna Carta that England developed her great empire. It was under a still greater measure of freedom, liberty, and self-reliance in the Western Hemisphere that man's highest economic achievements have been realized.

Gentlemen, I have mentioned some of the things which self-reliance and the system of free competitive private enterprise have created in this country. I should hate to see us take even one step in the direction of foreign philosophies. I do not want to see that foreign camel get even his nose under our tent. I know that when we accept, as a na-

tional policy, a statement by Congress that Uncle Sam has the responsibility of providing jobs for all able to work and seeing work, we will have taken the first step.

THEN COMES REGIMENTATION

The second step follows naturally and certainly. In order to guarantee successfully, continuing full employment, any nation finally will be compelled to control production and consumption. This would mean telling each manufacturer and grower what to produce and how much. It would mean telling each consumer what to buy and how much. It would mean permanent price fixing and rationing. It would finally mean controlling the location of factories and the compulsory assignment of workers. It would mean telling our children what training they may get and what jobs they may enter.

This whole question is extremely real to me. It is not based upon hearsay or theories read in books. I witnessed extreme poverty during the 11 years I lived in China, poverty which was caused solely by governmental policies. There were ample natural resources but there was no opportunity for individual achievement. Men of means and vision buried their money in the ground instead of using it to make jobs and produce goods. It was necessary, therefore, to import coal, oil, and iron even though all three lay in abundance beneath the soil of their own country.

From personal observation under 15 flags, it is plain to see that the chief hindrance to greater prosperity in every backward country is lack of individual freedom and individual opportunity. When I think of how regimentation and poverty go hand-in-hand, I am extremely anxious that the United States shall not take a single step in the direction of these foreign ideologies.

Gentlemen, I regard very seriously the trend already evident in this country toward state socialism; with our younger generation the following slogans are being constantly popularized: "Planned economy," "Production for use, not for profit," "Guaranteed jobs and guaranteed wages," "Ceilings on incomes," and so forth. The youth of today are not being told frankly, however, that these ends can be attained only through Government control of industry, agriculture, and transportation. They are not being told that it means regimentation—the end of individual opportunity.

Gentlemen, this attack on our American way of life is more dangerous than the frontal attack made by the Axis Powers, which we crushed only with great loss of blood and treasure. Allow me to illustrate:

AN INSIDUOUS ENEMY

When our soldiers landed on Guadalcanal, they were attacked by Japanese bombers, naval guns, and land troops. All of these powerful weapons of opposition, our men succeeded in locating and in destroying.

But there was a very different enemy; one that came near defeating our men. I refer to mosquitoes and other small insects. These worked quietly, but with devastating results. Each bite appeared insignificant, but a parasite or virus was planted in the blood stream. Malaria, yellow fever, and other diseases followed and took their toll

in life, destroying morale. These were the same enemies that defeated the French in their attempt to dig the Panama Canal. General MacArthur realized the seriousness of these little enemies and made a vigorous and successful campaign against them, and a war was won.

I believe we can properly compare the dangerous malaria mosquitoes to the insidious campaigns of those who would substitute "Production for use—not for profit"—"Guaranteed jobs"—"Ceilings on individual's incomes," and so forth, for free competitive private enterprise. If this bill were enacted in its present form, it would greatly help our most dangerous enemies.

You can imagine how in each community they would point out the comfortable home or the prosperous business of a man of character, someone who had started without capital and acquired financial independence through a life of toil, sobriety, and thrift and say, "Now look at that man. He has no more right to that home or that business than you have. Congress is going to use his savings, and those of other men like him, for public works that will guarantee good jobs for all of you. You will not need to be thrifty or industrious. You will not need to be honest or reliable. You won't even have to be a steady worker. You can drink, squander, and gamble. But any time you do want to work and are able to work, Congress has guaranteed that a job will be waiting for you."

This bill in its present form would thus help the little enemies, boring from within. Just as jungle fever produces first indifference, then laziness, and finally death, a guaranty of jobs for all, would first kill ambition, then produce laziness, and finally destroy the greatest economic order history has ever known.

THINGS WORTH HAVING

I want to see full employment but I also want to see good wages and a progressively higher standard of living. I believe that if the good sections of this bill are retained and the changes discussed on pages 1 and 2 of this report are made, full employment and a continually higher standard of living can be obtained. It is my firm conviction that America already has the possibilities of full employment, higher wages, and a higher standard of living, than this Nation has ever experienced. I say this because we have: (1) 50 percent greater productive capacity than ever before, (2) adequate raw materials, (3) adequate labor, (4) the know-how, (5) the market.

But history shows that all of these have little value if we lose the spirit of self-reliance and individual initiative.

Continuing full employment must come through cooperation of all: through a feeling of mutual responsibility. Only two fundamental steps are required at this moment to make our superior private enterprise system work so smoothly that we shall have an abundance of jobs, good wages, and a still higher standard of living than even America has yet known. This is what the American public wants and what it deserves.

1. First, we need the right taxes to make the most jobs and produce the most goods. The present tax structure which was created to take the profit out of war will certainly take the prosperity out of peace, unless it is revised.

2. Second, we must have improved industrial relations. Instead of creating discord, we must promote peace between capital, labor, and agriculture. Instead of fighting one another, they must be shown that their real objectives are identical. Not one of these three groups can profit for long at the expense of either or both of the others.

THINGS EVERYBODY WANTS

Agriculture can prosper only when labor is fully employed and able to eat well. Labor can prosper only when capital is encouraged to invest freely in good tools and equipment for higher and higher production per man-hour. Industry can prosper only when both labor and agriculture are able to buy lots of goods. So with identical objectives the three groups should sit down around a common table voluntarily and work out their mutual problems to their common interest. That is the American way. The Federal Government can create the atmosphere in which it will succeed.

With the proper tax structure and with industrial peace, private enterprise, founded upon American initiative and self-reliance, will function in this emergency better than any other system man has yet invented; assuring for our generation and for posterity the best living conditions that man has ever experienced. That will give us something far better than a Federal guaranty for full employment through a plan loaded with threats of state socialism and backed by a nation that would soon be in debt for its total intrinsic worth.

The responsibility of Congress is great in this emergency, with so many conflicting proposals being presented. May God give you wisdom to pilot safely through this crucial hour, the world's greatest Nation. May you ever keep in mind that individual freedom is God-given. Only a free people can become or long remain a great people. It has been well said that "when a man becomes imbecile, his friends place him in an asylum. When a people grow decadent and imbecile, they place themselves in the hands of the state."

May we preserve freedom of individual opportunity, with prosperity for all, rather than turn into the road which leads to state regimentation with poverty for all—this is my prayer.

The CHAIRMAN. Doctor, you have read the so-called full employment bill as it passed the Senate—S. 380?

Dr. BENSON. Yes, sir.

The CHAIRMAN. You have a copy before you.

Dr. BENSON. Yes.

The CHAIRMAN. On page 2, line 3, paragraph (b), it says:

All Americans able to work and seeking work are entitled to an opportunity for useful, remunerative, regular, and full-time employment, including self-employment in agriculture, commerce, industry, or the professions.

Do you know of any law on the statute books now that prohibits a person doing any of the things mentioned in that paragraph?

Dr. BENSON. No, sir.

The CHAIRMAN. Anybody who wants to work on his own farm, may work on his own farm. If he wants to practice law and gets clients, he may practice law. There is no law now denying him that opportunity.

Dr. BENSON. That is right.

The CHAIRMAN. And there is no law denying a person the opportunity to seek employment in the United States today, is there?

Dr. BENSON. No, sir.

The CHAIRMAN. Of course, some people—and I am not one of them—think that a person who does not want to belong to a labor union should be entitled to apply for a job and get a job. I am a union man myself. I believe in the closed shop. But we have a lot of people in our country who think that a person who seeks employment in a closed shop should not be forced to join a union.

Do you not think, if this bill were to become law, it would naturally follow that any person seeking employment, able and willing to work, would have to be found a job and we would eventually have to pass a law abrogating the requirement to become a member of a labor union?

Dr. BENSON. That would be the natural conclusion.

The CHAIRMAN. Because, if he did not want to join a union, and that was the sole ground upon which he was denied a job, then it would be the obligation and the duty of the Federal Government under section 2, paragraph (e), on page 3 of the House bill, to furnish him employment. Is not that the way you interpret the House bill?

Dr. BENSON. Yes, sir.

The CHAIRMAN. So it would be very easy, then, for some government that opposed organized labor to break every labor union in the country by carrying out the provisions of the bill.

Dr. BENSON. It would be either necessary to require a man to join a union, or to demand that he be given a job without joining a union.

The CHAIRMAN. And that would have to be done by the Federal Government?

Dr. BENSON. That is right.

The CHAIRMAN. And of course, no government in the world, including the Russian Government or the ex-government of Nazi Germany, would permit a strike against the government. They would be working, say, on federal public works. But ultimately it would result in the destruction of unions if the final results sought under this bill were attained.

Dr. BENSON. That is right.

Mr. HOFFMAN. Mr. Chairman, in view of your statement, permit me to call your attention to one thing, and that is that at some of the plants producing war materials the War Labor Board did require the members of the union to pay dues and make up their back dues, in order to hold their jobs.

The CHAIRMAN. That is true. They were not on Federal public works.

Mr. HOFFMAN. No; but they were working in factories where the sole production was under Government contract and for the Government, itself, war material, and the conditions of the workers were fixed by the Federal Government and by the War Labor Board.

The CHAIRMAN. That is true.

Mr. HOFFMAN. Is there any reason to believe, if the Government provides other jobs, as they provided jobs in those war factories, that the same ruling would not follow that we have had? We have had a statement by some representatives of the unions that the Fair Em-

ployment Standards Act and the Wages and Hours Act would be enforced. There is no reason to believe that the Labor Department, or whichever agency of the Government was handling the matter, would not follow through as they did in the case of these other contracts and require the employees to belong to a designated named union and to pay all of their back dues and whatever initiation fees that are levied by that union as a condition of that employment?

The CHAIRMAN. What I am saying is that no government in the world would permit strikes of government employees. If the Post Office Department were to strike today, the Army would take over the Post Office Department. Of course, that would be a pretty sad state of affairs here. What I had reference to was Federal public works, and if the Government itself attempted to assure employment for 8,000,000 people, which is the number that the Bureau of the Budget and the Director of Reconversion state will be unemployed next year, strikes could not be permitted on those public-works projects.

Of course, we had a few strikes of relief workers at one time, but that did not amount to very much. If the Federal employees were to undertake to strike, we would soon have a dictatorship in this country, would we not?

Dr. BENSON. That is right.

The CHAIRMAN. Because the public interest would not permit the strikes.

Mr. HOFFMAN. One more observation. During the strike at Akron, Ohio, and in the strikes against Montgomery Ward on the west coast, the Government did not deliver the mails. It quit delivering the mail to the regular substations. I agree with you that the Government never should permit strikes against itself or any of its agencies.

The CHAIRMAN. Of its own employees.

Mr. HOFFMAN. Yes.

Dr. BENSON. The trend set in motion by this bill could ultimately result, in my opinion, in such employment being under Government management, and then I think you would see a trend similar to that in Russia, where labor unions would not have freedom or liberty. I do think it would be destructive of union freedom, and, with you, Mr. Chairman, I am in favor of unions and organized labor. I do think ultimately this would undermine the very foundation of organized labor.

The CHAIRMAN. You have made a study of the history of national socialism in Germany, and you know that they had full employment in Germany. Everybody able to work, if he did not work, was thrown into a concentration camp.

Dr. BENSON. That is right.

The CHAIRMAN. They destroyed labor unions in Germany. At one time Germany had probably the highest percentage of employment, and labor unions there were probably the most powerful labor unions in any country in the world.

Dr. BENSON. That is true.

The CHAIRMAN. When National Socialism came in, they started building up a war machine and they destroyed all those labor unions.

Dr. BENSON. To quote Hitler, he said, "Labor unions are silly."

The CHAIRMAN. Is not that true of all dictators?

Dr. BENSON. I think so. Under Hitler's system, there was no place for them. He could not tolerate a labor union.

The CHAIRMAN. Under Hitler's system, any person who opposed his ideology—they had a way of liquidating that person.

Dr. BENSON. That is right.

The CHAIRMAN. Are you not afraid that if we continue down the road of regimentation, Government planning of every activity of a human being without regard to his love of freedom, and so forth, to see that he is employed and economically secure—are you not afraid we will go down that very same road?

Dr. BENSON. Exactly.

The CHAIRMAN. Without benefiting from the tragic experience which the German people have had?

Dr. BENSON. That is exactly why I am here today. I am looking further ahead, and that is exactly what I am afraid of. And I think this is the first step in that direction.

The CHAIRMAN. I do not think anyone has any objection to having plans prepared for unemployment periods, so that the Federal Government may assume a certain responsibility. But, do you think that the Federal Treasury today, or 2 years from now, could afford to appropriate annually \$24,000,000,000 to provide work for 8,000,000 people who are unemployed?

Dr. BENSON. It is more tragic than that, Mr. Chairman. You see, if the Federal Government were appropriating that much, it would be interfering with private enterprise which has always operated more efficiently. A Government-managed economy cannot operate as efficiently as our private economy where competition is so keen. A Government-managed economy eliminates competition. And when it eliminates competition, it eliminates efficiency. Consequently, production will go down and wages will have to go down and the standard of living would have to go down with wages.

Mr. RANDOLPH. Mr. Chairman, I personally perhaps would rather not make the comment that I now make, because it concerns a project in my own county where the Federal Government, through an organization at one of our homestead projects, was operating a type of lumber mill. The Federal Government, through the individuals operating the plant, has consistently lost money, and has lost money in the face of the demand for the product which was being put out and in the face of the fact that other concerns in a like business, operating as individuals or as corporations, were making money.

Recently the Federal Government, acting through our Federal district judge, had that operation go into receivership and there was appointed a businessman of my home community to operate that mill. He has shown a profit already of almost \$15,000 in less than 2 months of operation. So it does cause me to say more emphatically that I could have said it in the past, that apparently the Government itself, or some agency within the Government, cannot effectively and economically operate at least that type of business.

The CHAIRMAN. And, of course, the Federal Government was paying no taxes either to the State or to itself in that operation.

Dr. BENSON. That is true.

Mr. RICH. May I ask the gentleman this question? Have you found that anything that the Government has operated in the past 10 or 20 years has been a most expensive operation?

Mr. RANDOLPH. I am inclined to agree with the gentleman from Pennsylvania, that apparently in most fields of activity the Government is not the proper operating agency, except in an emergency.

Dr. BENSON. When I was in Europe I was impressed with the fact that their wages were so much lower than ours, and yet their people worked so much harder.

The CHAIRMAN. Their man-hour production was much lower.

Dr. BENSON. And I started to investigate to see what was the matter. Why do they work harder and earn less? I found the production per man there was less than half of ours. I began to wonder why that was. And my conclusion was that it is our private enterprise system, that requires keen competition. Under that competition we have invested more money in tools. You will find the very latest tools in most of our industries, and with those better tools the men are able to turn out more goods.

Government does not fear competition and will not keep up with the latest developments in tools, because that means, probably, discharging a considerable investment, in order to put in the latest tools and equipment. But under our system of keen competition private enterprise is going to do it, and their people will produce more per man-hour.

The CHAIRMAN. It also makes it possible for the American to have a much higher standard of living than is to be found in any other nation in the world.

Dr. BENSON. That is right. I investigated that in the automobile industry. We had 1,300 companies organized to make automobiles during the last 50 years. That is because of the freedom of opportunity. Any man who thought that he could make a better or a cheaper automobile, could try. Thirteen hundred companies were organized and tried. When World War II came along, we had only 20 making automobiles, but they were the 20 that could give the best car for the lowest price. The public decided which those were that they would buy and they decided which companies would survive. They were those who could give us the best product for the lowest price. Consequently Americans were able to drive automobiles, and American farmers were able to drive automobiles, and 76 percent of the world's total number of automobiles were driven on American roads by American drivers. And I think the secret was our keen competition.

The CHAIRMAN. Without subsidies to the manufacturers.

Dr. BENSON. That is right.

The CHAIRMAN. In European countries they have subsidies for those manufacturers.

Dr. BENSON. I would like to illustrate the value of that investment in tools and equipment. When I was in China I burned kerosene that was carried from a little port on the southern border of China, into the interior a hundred miles to the town where I was staying, where I lived. That kerosene was carried on the shoulders of coolies. Each man had only a 10-cent investment, a bamboo pole, with some rope at either end and he could carry a 5-gallon tin of kerosene on each end of the pole. These tins were marked with British or American trade-marks. They carried those over narrow sod trails between rice fields, and over unkept trails across the hills that were

slippery when wet, so that the coolie only made about 10 miles a day. He was paid only 10 cents a day for his labor, and when he had worked 10 days, he had been paid a dollar. But he had carried only 10 gallons of gasoline, which meant a cost for freight of 10 cents a gallon. I have been out of kerosene and had to wait for those men to arrive. Since it took them 10 days to make the trip, that meant 10 cents a gallon freight. There were no middlemen involved. There was no interest on the investment. The laborer got it all, but he only got 10 cents a day. But the freight was 10 cents a gallon.

In our country we have invested \$25,000 for every job on the railroads. When a man gets behind the throttle of a big locomotive, he draws a hundred tank cars and makes 100 miles in 2 hours and a half. Our railroad men are paid an average of \$200 a month, whereas the Chinese coolie would get \$3. Our freight cost for kerosene is 1 cent per 100 miles per gallon. That is one-tenth of the rate in China.

The only difference is the investment and management. We have that keen competition on the railroads so that they have to be efficient to stay in the game. That large investment makes the sole difference.

Under a Government-managed economy, that investment never runs that high and management never becomes as efficient, because there is not the competition. So any move toward a Government-managed economy is a move in the wrong direction.

Mr. HOFFMAN. I suppose we are all familiar with the situation to which you refer, that exists in China and elsewhere in the world. All of which proves that our way is the better way; does it not?

Dr. BENSON. I think it does.

Mr. HOFFMAN. What we are being asked to do now is to junk that old system, because it is said it is a failure, and try something else. Do you know of anything better than what we have?

Dr. BENSON. I am thoroughly convinced that our system is the best that man has yet tried. I say that from observation—

Mr. HOFFMAN. You have answered; that is all. You have said it is the best.

Now, you referred to the automobile business. The A. F. of L. representatives say that while everyone was getting a better car for less money, the employee in the automobile industry got more money per hour and per day and per week and per year.

Dr. BENSON. That is right. The highest wages that we pay are paid where the competition is keenest.

Mr. HOFFMAN. Are you aware of the fact that back in 1931, on the 2d of February, the House, by more than a two-thirds vote, passed the so-called Wagner bill, which was a bill cited as the Employment Stabilization Act of 1931? Later that passed the Senate and became law.

Dr. BENSON. Yes, sir.

Mr. HOFFMAN. And that is found, as a matter of record, in chapter 4 (a) of title 29 of the United States Code, "Employment stabilization."

That was repealed by the act of June, taking effect, I think, August 31, 1943. That is to say, we tried this thing once—this idea of Government control of employment—and we also had on the books chapter 4 (b) under the title "Federal Employment Service."

To show that a somewhat similar effort was made before, I want to call your attention to just a few statements in the Congressional Record, on page 3814, under date of February 2.

The first statement is by Mr. Stafford:

Anyone who listened attentively to the reading of the bill knows its scope, that it provides for a 6-year program of construction under the various activities of the Government where they may be engaged in construction work.

Then, over on the next page, Mr. O'Connor, of New York, who either then was or later became chairman of the Rules Committee, said, among other things:

Mr. Speaker, this legislation (S. 5776), usually known as the Wagner bill on planning with a view to meeting emergencies of unemployment, comes before us at this late date after an effort of over 2 years to provide some method of taking care of an emergency situation which might arise through unemployment in the United States.

Then Mr. Connery, from Massachusetts, at that time chairman of the Labor Committee, and a very, very good friend and efficient representative of labor as well as of his district, said:

Now, we have a new bill introduced by the Senator. It comes over to the House, goes to the Judiciary Committee, and because of the present condition of unemployment the committee finally wakes up to the fact that they must pass some legislation. So it accepts the bill of the Senator from New York and here we have it today.

Then over on the next page, Mr. Box said:

The country has in some 20 or more of its States conditions bordering on famine. Indeed, practically every industrial section, all the cities, and in many smaller towns and communities, all the States have much the same conditions.

Mr. LaGuardia, now mayor of New York, referring to the bill, said regarding what we want to do and what we are here trying to do—

It is a means of relieving a depression by providing employment on public works, and it provides a means for advancing the planning that is necessary.

Mr. RANDOLPH. If you will yield to me there: When you speak about public works, the Congress in carrying out the will of the country with the 3-year postwar highway development program has specifically said in the legislation that work will be by the contract system; that private industry will build those roads.

The same is true of the pending airport legislation; private contractors will construct those facilities.

I believe firmly the Congress has come or should come to a realization that the contract system of private industry is the only way in which Federal public works, in conjunction with the sponsorship of local political subdivisions, should be carried forward. No more WPA procedures should be followed.

Mr. HOFFMAN. And I hope the competition between private enterprise for contracts will be real and there won't be any more of this "little collusion."

Mr. COCHRAN. That is about the first time I have ever heard you say anything against the businessman.

Mr. HOFFMAN. Against what?

Mr. COCHRAN. Against the contractors. You have always been talking against labor. You spoke of collusion.

Mr. HOFFMAN. Listen; I have been married for 42 years, and I never said anything about any—to me satisfactory—meal my wife put on

the table. But if just one bad one—one I did not like—came on, then I, like most husbands, kicked. It is only when they go on in a bad or improper manner that I complain about labor. I have nothing against labor; I think it has done a wonderful job. Congress is the only body I know of that does not have some deficiencies; or has it many?

Dr. BENSON. With your permission, I would like to include in the record as part of my testimony a very brief statement here from 12 Arkansas organizations.

Mr. HOFFMAN. My only purpose was to call attention to the fact that we tried this once before, and it lasted from 1931 to 1943.

Dr. BENSON. The statement I am going to read is signed by the Arkansas Bus & Truck Association; Arkansas Pharmaceutical Association; United Commercial Travelers of Little Rock; Oil Dealers Association of Arkansas; Arkansas Seed Dealers Association; West-side Lumber Association; Arkansas Wholesale Grocers Association; Arkansas Restaurant Association; Retail Grocers Association; Arkansas Automobile Dealers Association; Arkansas Bankers Association; and the Arkansas Bottlers Association.

The CHAIRMAN. Does that represent big business in Arkansas, or small business?

Dr. BENSON. No; the smaller groups. It starts out with the heading "Plenty of jobs in sight." Then reads:

Fear invites the evil it flinches away from. That's a truth which wise men, real leaders, have long understood.

Job declared, centuries upon centuries ago, "The thing which I greatly feared is come upon me."

President Roosevelt spoke from this ancient knowledge when he first took office, in that stormy time when the country seemed to be crumbling into ruin. He challenged the fear which had gripped the Nation, roused its energies, with the ringing words: "The only thing we have to fear is fear itself."

Now the Senate passes a measure, the full employment bill, which is written in fear, and whimpers with fear—that and the vicious purpose of creating a spending heaven for the pressure groups and politicians.

The bill has been modified, it is true. Certain checks are placed on Government outlays to provide jobs. Such outlays would have to be accompanied by a tax plan to raise the money. The spending would have to be consistent with the Government's needs, obligations, and other essential considerations of national policy—whatever that means.

But there are loopholes in these restrictions that you could drive a cow through. For example, billions might be shoveled out in 1 year, with the tax to collect them spread over a reasonable number of years. Congress could say that 10 years, or 40 years, was reasonable—and meanwhile add 10 billions, or 20 billions, to the already staggering national debt.

The vital thing is that if this bill passes the House, even as it is—even further modified—the spending camel will have its nose in the Treasury tent. And you remember what happened in that old fable. The camel kept inching farther into the tent till its owner found himself out in the cold.

This bill will work the same way if it becomes a law. Can you picture Congress refusing to make an appropriation for Government jobs, in an election year, if the President should forecast that millions would want work?

Do you want to pay taxes to provide soft Government jobs whenever the pressure groups and politicians thought them useful to their personal plans?

Do you want to threaten the expansion of private enterprise—a vital matter to Arkansas—with the possibility that its taxes may be shoved up any year to furnish political or pressure-group employment?

* * * There is work in sight for all who really want to work if industry and business are given a fair chance.

"The only thing we have to fear is fear itself." Let's be men, true to our proud American heritage, not cringing socialistic mice.

That statement is signed by the group whose names I mentioned and, at their request, appeared in the Arkansas Democrat 2 weeks ago.

Mr. COCHRAN. Do you see anything in this bill that will stop private enterprise from doing the job, giving everybody a job?

Dr. BENSON. It depends on how far the bill goes. If private enterprise can do it and there remains full employment without the Government doing the things they are here authorized to do, they should not have this hindrance.

Mr. COCHRAN. That is not what I asked you. I asked you, Do you see anything in this bill where the Government is to step in and put any shackles on private industry?

Mr. BENSON. That depends on who is to decide whether there are enough jobs to go around. It leaves that very uncertain—as to who is to decide that question of whether there are enough jobs to go around.

Mr. COCHRAN. Now, at the outset, in section 2 (a)—you support the Senate bill—I will read this:

It is the responsibility of the Federal Government to foster free competitive private enterprise and the investment of private capital.

Dr. BENSON. That is right.

Mr. COCHRAN. There is no putting any shackles on private enterprise there, is there?

Dr. BENSON. That reminds me of the wording in a bill passed some years ago to authorize TVA. The chief thing, for instance, done by TVA is creating power; yet creating power is not mentioned in the bill at all. It was authorized for flood control, soil conservation, and the other things.

Mr. COCHRAN. The TVA at the outset was for a nitrate plant; that was the first thing; they were going to take care of a nitrate plant.

Do you believe in subsidies?

Dr. BENSON. No, sir.

Mr. COCHRAN. I am very glad to hear you say that. Do you feel the Congress should repeal all these laws where we are dishing out subsidies now running into several billion dollars?

Dr. BENSON. Maybe not immediately, although I dislike them. I think they are injurious to the independence and freedom of individuals and destructive of competition.

Mr. COCHRAN. Have we injured the farmer, say, in passing the subsidies we are now paying to the farmer?

Mr. BENSON. Yes. We have kept him from having the responsibility of judging more accurately what he should raise, and the responsibility of planning to fit in with the national economy.

Mr. COCHRAN. It is your view, then, it will be best for the farmer if we will repeal all of the laws we have now granting subsidies in the form of grants to the States, and also specific grants to the farmer, and that the farmer can get along better? Do you feel that way?

Dr. BENSON. Let me show you what that leads into.

Mr. COCHRAN. I want to know whether you feel that way.

Dr. BENSON. Let me give an illustration which will answer the question. You ask a question that I do not think can be answered "Yes" or "No."

There are small farmers in Arkansas raising cotton on hillsides, where they produce very little cotton, and there is no way of their

getting a very good crop, but with the Government subsidy they are still eking out a living at it. Without the Government subsidy, they would have to take that land and put it to growing grasses for livestock, or something else which would be in the interest of the national economy. So the subsidy, in the long run, works against efficient national economy.

Mr. COCHRAN. You are an educator. Do you believe in Federal aid to education?

Dr. BENSON. No; I do not believe in Federal aid to education.

Mr. COCHRAN. You do not?

Dr. BENSON. No, sir.

Mr. COCHRAN. I am very glad to hear you say that.

Dr. BENSON. I testified before the Committee on Education and Labor last May on that very matter, and I showed why I did not believe in it, and showed why it should be left up to the States. It is really politics and not lack of money that is hindering education. Federal aid would only increase those political injustices which now prevail. Even Arkansas and Mississippi can provide a good educational system if waste is corrected and proper reforms made.

For instance, in Arkansas now there are six districts moving students into one town in a consolidated school. They have only 36 students in the entire 6 districts, and yet they use 6 vehicles to get those 36 students into school, which 1 vehicle could do at one-fifth of the cost. But, for political reasons, that is not done—reforms are not carried out.

Mr. COCHRAN. On page 2 of your statement you say you would eliminate section 3 of the Senate bill. Now, section 3 of the Senate bill provides:

The President shall transmit to Congress at the beginning of each regular session the national production and employment budget (hereinafter referred to as the "National Budget"), which shall set forth—

and then it goes on to say what the President should transmit to the Congress.

Now, where can you show me that the transmitting of the budget to Congress by the President giving Congress information automatically creates the Townsend plan? I am very anxious to know that.

Dr. BENSON. You are misquoting me. My reference is not to the part of the bill you read; my reference is to page 4, section 3, which is not the part you read.

Mr. COCHRAN. Page 4?

Dr. BENSON. Yes; of the Senate bill, subsection 3. I have it in parentheses in my testimony—

* * * provide for an income for the aged sufficient to enable them to maintain a decent and healthful standard of living, and promote the retirement from the labor force of the older citizens—

and so forth.

Mr. COCHRAN. In that, you provide for old-age assistance. Would you repeal the social-security law we now have?

Dr. BENSON. No. That is why I recommended in my testimony that you refer this to those dealing with social security.

Mr. COCHRAN. That does not automatically say we will go into the Townsend plan; that simply says we are going to do something for the aged who are no longer able to operate.

Dr. BENSON. It does not say that; it also says to "promote the retirement from the labor force of the older citizens."

Mr. COCHRAN. If the present generation lives long enough, the younger generation, and reach an age where they are entitled to old-age benefits, they are not going to get a pension under the system we have now for old age assistance; they are going to get it under the social-security law under which they, by paying in a certain amount to Social Security, weekly or monthly, of their wages, are creating an annuity for themselves and it will not be necessary, when the younger generation now reaches the age where they are going to retire, for the Federal Government or the States to take care of them. They are taking care of themselves.

Certainly you do not feel it is obnoxious for the Federal Government to plan in advance a program of public works so that they might be put into execution in the event private industry is unable to progress to the extent it can take care of the people in this country by giving them jobs?

Dr. BENSON. You notice in my testimony I heartily commend co-operative planning.

Mr. COCHRAN. Of course, you do not want to go back, neither do I, to what occurred at the outset of the depression, when people were without food, shelter, and men could not get jobs and their families could not eat, and we created what was called the WPA and gave them some kind of work, starting at the bottom raking leaves. Now, if we could have had advanced planning with a program ready to meet that situation, instead of paying them to rake leaves, they would have been working on projects that would have meant worth-while improvements.

Dr. BENSON. Yes; and I cannot see that it would have taken any long length of time to have had plenty of good projects started. Down in Oklahoma they worked on roads, but they would not permit workers to use fast methods. They had to use wheelbarrows and shovels, and they were not allowed to make use of trucks, or teams and wagons, lest they get the job done too fast.

Mr. COCHRAN. In normal times, do not you know that the Federal Government has used the contract system in connection with public works?

Dr. BENSON. Yes; I know they have at times.

Mr. COCHRAN. In other words, the President has just asked for a very large appropriation to resume public works such as river-and-harbor and flood-control projects which Congress has recommended.

Dr. BENSON. Yes.

Mr. COCHRAN. You are aware that the Government is not in any instance going to perform that work, is not going to hire individuals to do that job, but it is going to let the work to the lowest responsible bidder. I do not know whether the program is still in force or not, or the policy, but the engineers of the Army used to make an estimate with reference to projects under their control and advertise for bids, and if a contractor came within a certain percent of their figure, even though higher, just so they did not go above a certain percent, the contract was let just the same. But if they were out of bounds entirely, maybe due to what Mr. Hoffman referred to—collusion among the contractors—then the engineers of the Army did that themselves.

Do not you think that would be proper to protect the Government where the engineers of the Army say they should be able to do it for a certain amount and the private contractor says he cannot do it for that amount?

Dr. BENSON. My guess is, if the private contractor won't take it for that amount, that the Government won't be able to do it any cheaper, either; because private contractors have the reputation of being able to get things done more economically than the Government, over a long period of time. So, if the private contractor won't take it for what the Government thinks it should be done, perhaps the Government has made a mistake in its estimates.

Mr. COCHRAN. You spoke about creating jobs at election time. Do you see anything in this bill saying that the Government shall step in 30 or 60 days before an election and create a whole lot of jobs, whereby there might be a political benefit to the party in power?

Dr. BENSON. Yes; they have that power.

Mr. COCHRAN. Where is it?

Dr. BENSON. When the Government guarantees there shall be jobs for all, they have great leeway in estimating how many jobs are required, and it would be a very simple proceeding just before an election to say they required so many more jobs.

Mr. COCHRAN. How is the Government going to make an estimate with reference to the jobs required if we strike out section 3 where the President is going to make a report to the Congress?

Dr. BENSON. We are not striking out the part where he is making a report to the Congress at all.

Mr. COCHRAN. You do not strike it all out; only part.

Dr. BENSON. I specified what part. I refer to this part where they guarantee work opportunities, the Federal Government guarantees jobs, and the Federal Government is put in the situation where it is necessary to provide jobs for all. It is section 2 (d) (4) that I am referring to, subsection 4. I put it in parentheses, under general section 2, found on page 4, right under No. (3).

We are not objecting to the President's presenting a report. I am asking that that be retained. I am not asking that that be removed; I am asking that it be continued. But on page 4 you will find what I am objecting to under the 4 in parentheses, beginning the second paragraph on page 4.

Mr. COCHRAN. You are not opposed to the individual who is responsible for profits to industry receiving a fair share of those profits, are you?

Dr. BENSON. I beg pardon?

Mr. COCHRAN. You are not opposed to the individual who is responsible for the profits of the corporation receiving a fair share of those profits as his wage, are you?

Dr. BENSON. Certainly not.

Mr. COCHRAN. In other words, you would not favor the head of the corporation receiving \$100,000 with a \$200,000 bonus, and then keeping the man down below, who actually does the work and turns out the goods which make the profit, from receiving a real wage himself with a bonus?

Dr. BENSON. The matter of how much profit a corporation can make, I think, is a matter that is rather broad and it would be diffi-

cult to make a fixed statement on. It depends on what they do with their capital as to whether they are justified in making it or not. If they put in more equipment, more machinery, better opportunities for the men, that will be the only means to raise wages, perhaps.

Mr. HOFFMAN. That was not his question, though.

Mr. COCHRAN. No. You do not think we are able here to work out a bill, then, that might do something in the way of advance planning to have the Government ready, in the event it becomes necessary—and we all hope it won't become necessary—to step into the picture immediately and prevent another depression?

Dr. BENSON. Certainly. If you will observe my testimony carefully, I think you will find I am supporting the thing you are talking about. I understand there is to be presented later in this hearing a substitute bill which would provide for planning and looking ahead—planning public works and looking ahead—and I endorse that.

Mr. COCHRAN. Is that the LaFollette bill?

Dr. BENSON. No; Mr. V. C. Crumb, of Harvard University, department of economics. I would undoubtedly recommend careful planning. I think our Government should determine what public works ought to be done in advance, and then sandwich them in at the time they are needed; that is all.

Mr. COCHRAN. And you want us to leave business alone and give them full opportunity to give the people of this country an opportunity to work who are qualified, at a fair wage?

Dr. BENSON. I do not like your phrase "leave them alone." I think there are proper regulations that should be provided for industry and I think monopolies should be prevented; but I am convinced that our private enterprise system will provide the competition and higher investment that gets greater achievement and greater production and will pay more wages than it will be possible for the Government to pay. I have directed my testimony to that point all the way through. I favor planning and I think the Government ought to plan with other groups. I believe the Congress, in passing tax laws, should study much more carefully the effect of those tax laws on employment, and that virtually every law passed should be studied from that point of view. I think we can so frame our legislation that private enterprise will be able to provide full employment and all the people will have jobs.

For instance, in Arkansas, they have already made a rather complete survey, and it was part of the statement I just read. They have estimated there are 6,661 jobs in Arkansas, and at the most liberal estimate there are only 6,666 people seeking jobs. So we believe we will have full employment in Arkansas, provided the tax structure and industrial relations are such as to encourage men to step out and invest. And we have gotten this figure from a careful survey of the men in industry themselves throughout the State, and those planning to go into new industry and provide new employment opportunities, and we are convinced it would be quite possible in Arkansas to take care of our employment problem.

Mr. COCHRAN. If that same thing is true all over the United States, and I hope it is, then we won't have to put the provisions of this bill, insofar as providing jobs with Federal expenditures is concerned, into effect.

Dr. BENSON. Yes.

Mr. COCHRAN. At the same time you agree—and I am glad to hear you say so—that we should be prepared in the event it does become necessary?

Dr. BENSON. Yes; but not prepare to guarantee we are going to provide a job for everybody. That is not the duty of Government in a democracy or a republic.

Mr. RICH. Dr. Benson, I was very much interested in your statement this morning and I quite agree with you and wish we had a lot of men in public life in Washington with the same views as you have expressed here. I am sure if we had that our country would be a whole lot better off, because you are stressing self-reliance.

In this bill, do you see anything where we are trying to stress the self-reliance of the American people, or are we creating false assurances in a bill of this kind?

Dr. BENSON. We are creating false assurances that encourage people to come and lean against Uncle Sam. That, I consider, is a most dangerous trend. Instead of individual responsibility, they will feel it is Uncle Sam's job and responsibility to see that there is a job for everybody who wants one. I think it is contrary to the very principles that have made America great.

Mr. RICH. I am awfully glad to have you here to give that expression, because ever since I have been in Congress I think we are trying to give the people of this country everything they want on a silver platter, without doing a great deal to get it. We want to guarantee them everything and, as you stated in your remarks, you want the individual to go out and try to create a job for himself, if that is possible. And if we have 130,000,000 people trying to create jobs for themselves, we won't have to have Congress out looking after them and trying to create jobs for them, will we?

Dr. BENSON. That is right.

Mr. RICH. Dr. Benson, do you think this bill tends to destroy the soundness of our Federal financing?

Dr. BENSON. Yes. I think the Townsend plan is unsound and I think the responsibility of the Federal Government for creating whatever investment and expenditure is necessary to assure jobs for all is likewise financially unsound.

Mr. RICH. I might say here, that in estimating, we have the Bureau of the Budget as the right arm of the Chief Executive in making recommendations to the Congress at the beginning of the year, and if we will go back to 1937 we find that the Budget's estimate of expenditures was off 30 percent. In other words, we spent 30 percent more than we thought we were going to. At the same time, in that year, we figured our estimated income, and later found out our estimated income was off less than what we figured on by 6 percent.

Then take the year 1941. The estimated expenditures that were given us were off 51 percent. In other words, what the Congress was told we would spend and what we actually spent was 51 percent more than we estimated we would spend. And in that year, on our income collection, we were off 22 percent. So you see we have had difficulty in trying to balance our budget.

Now, if we make estimates of that character in a bill such as we are considering here on full employment, who is going to be responsible for making that estimate?

Dr. BENSON. Well, the President is made responsible in this bill.

Mr. RICH. I want to bring out that point. Then you said awhile ago in response to the questioning of Mr. Cochran—you made the statement it depends altogether on who is making the estimate—that is exactly it—as to whether we have full employment or whether we do not. Therefore, if we pass a bill like this, we are likely to create in the minds of the American people false impressions on unemployment and by having the Government go into great planning, that will detract from the individual initiative that the individual would put forward. Is not that a fact?

Dr. BENSON. That is right.

Mr. RICH. And is not that a great deterrent to stabilization in this country?

Dr. BENSON. I think it is. May I add one more danger in the situation you presented? You have emphasized the fact that the estimate might be very inaccurate.

Mr. RICH. That is right.

Dr. BENSON. But Congress is hereby required to make an investment and expenditure on that inaccurate report.

Mr. COCHRAN. Oh, no.

Mr. RICH. That is right, and that is a very dangerous procedure for the Congress to inculcate into law, and I think if the members of the committee and the people of this country would follow out your suggestions given here to us, we would be a whole lot better off.

Now, just one other question. I would like to ask you in reference to subsidies. We talked about subsidies to farmers: Would it not be better if the farmers themselves actually were permitted to get a price for their commodity that was equal to the cost of the product, plus a small profit to the farmer and, had he been permitted to get that cost for his commodity, would not he be better off and would not he feel as if he was more self-reliant in the things he produces with his own hands and with the aid and assistance of the things that God has given him in giving him land, rain, and sunshine, so that he would have a better sense of dependency upon himself, rather than upon the Government?

Dr. BENSON. Yes. Also, I do not think even the cost of production should be guaranteed him, because it may keep him producing things that he ought not try to produce, on land that is not well fitted to produce, or when there may be an overproduction, so that the price is cheap. That is why in Arkansas we are encouraging people to go into diversified farming, instead of farming cotton so much, and to put some of their run-down land into grass and good cattle, raise chickens and other things, and not try to make cotton pay on run-down land.

Mr. RICH. With the national debt at \$265,000,000,000, is it not possible that some day some of these gratuities will have to be stopped, not only to the farmer but to business people and a lot of people in this country, if they do not mind that is going happen? Then they will be worse off instead of better.

Dr. BENSON. That is right. And the farmers in our State, through the Arkansas Farm Bureau, our strongest farm organization, are asking for the elimination of subsidies.

Mr. COCHRAN. They are?

Dr. BENSON. Yes.

Mr. RICH. What is going to happen when you create this debt to any greater proportion, if we do not have a balanced budget?

Dr. BENSON. I am sorry; I did not get that question.

Mr. RICH. What is going to happen to this country if we keep on creating our debt greater and greater, unless we try to balance our budget and pay off this debt?

Dr. BENSON. Unless we take a more sound attitude toward it and eliminate this present attitude that "it does not matter how much we continue to increase it," either it will mean extreme inflation, or finally our economic system would collapse.

Mr. RICH. I have never been able to find anybody in the House and I have asked for a good many years, "for all of these expenses, where we are going to get money enough to pay them?" but I have never been able to find anybody to answer that. Would you tell us how we should answer that question—by either getting the money or stop a lot of the unnecessary spending? Which would be the wiser course to pursue?

Dr. BENSON. I would do both; I would cut down the unnecessary spending and very soon following the war would insist that the budget must be balanced.

Mr. RANDOLPH. Mr. Chairman, I shall take only a moment. I go back to the statement you make, Doctor, about the Arkansas Farm Bureau and the leaders of agriculture in your State being against subsidies.

Dr. BENSON. Yes.

Mr. RANDOLPH. I wish to say that in West Virginia the identical position is taken by the West Virginia Farm Bureau and also by our State commissioner of agriculture. I want the record to show that, because of your statement on this backing of your agricultural groups.

Mr. COCHRAN. That means all Federal grants with reference to the destruction of insects, and everything else?

Mr. RANDOLPH. I am not sure how far they go; but, in connection with crops, they are against subsidy.

And now, President Benson, I am sure you are familiar with the work of Dr. Harold Moulton of the Brookings Institution, and I want to read certain language. He made the statement a few months ago that instead of sealing the fate of private enterprise, the war period has brought to the American people as a whole, and I believe to our Government, a new realization of its vital importance. Do you agree with that statement, Doctor?

Dr. BENSON. Yes.

Mr. RANDOLPH. He continues—this profound change in Government attitude is due to two principal factors—the economic achievement of private enterprise during the war and the growing recognition that employment and high wages depend upon business and that expansion under the private enterprise system cannot take place unless there is a reasonable assumption of risk with a chance of making a reasonable profit. Do you agree with that also?

Dr. BENSON. One hundred percent.

Mr. RANDOLPH. He concludes with this thought—repeated emphasis on the many freedoms we are fighting for is unavoidably, if uncon-

sciously, carried over into the field of our business enterprise. I do not mean to imply that all governmental regulations of business should henceforth be abandoned or that it would be desirable to stop all forms of proper regulation; I do mean that the excesses of recent years are not likely to be revived under the new spirit that prevails.

You would agree with that philosophy, also?

Dr. BENSON. There is justification for that among the older people. I am doubtful whether the younger people, for instance the high school and college students, are really aware of the record private industry has made and what it means to our American way of life. I speak to high-school students each year and I am convinced that the average high-school student has not even a comprehensive definition of what private enterprise is. He thinks the term applies to some advantageous plan for big corporations, and does not realize it means a lot of individuals who own property and who are free to operate little businesses of their own.

Mr. RANDOLPH. I take it you believe the Government has a proper place in the expenditure of funds for research?

Dr. BENSON. Yes.

Mr. RANDOLPH. So such secrets could be turned over to private industry which private enterprise itself cannot find, perhaps, so that new businesses can spring into being as they did in a 50-year period, before World War II and gave 15,000,000 new jobs to the American workers?

Dr. BENSON. That is right.

Mr. RANDOLPH. Would you say, also, there are types of public works like building roads, constructing airports, and that scope of development, in which the Federal Government has a very real basis for participation?

Dr. BENSON. Yes, sir; I agree with that.

Mr. RANDOLPH. That is all.

Mr. RESA. Doctor, in the case of the vast majority of laboring people, unemployment produces an immediate prospect of starvation, does it not?

Dr. BENSON. Well, it depends on what you mean by "immediate." For instance, this study in Arkansas showed that 41.5 percent of the workers said they could live for 6 months or longer on their savings if thrown out of jobs, and that is the result of a very recent study. So "immediate starvation"—if you mean a period of 30 days—I would say "No," not after the period of high wages like they have been having.

Mr. RESA. What percentage of the laboring people of the country live in Arkansas?

Dr. BENSON. The point is, we have had a number of war plants there, and when this study was made, 87 percent of the people in war plants in Arkansas were Arkansas people.

Mr. RESA. The compensation paid to laboring people in war plants is much higher than the normal rates of wages in peacetime industry; is not that so?

Dr. BENSON. Yes; somewhat higher.

Mr. RESA. Then let me ask you this: Is it not true that in the case of the vast majority of laboring people, who have had nothing but employment at peacetime rates of wages, unemployment produces an immediate prospect of starvation?

Dr. BENSON. Unless they can seek employment elsewhere, or have some means of livelihood, yes.

Mr. RESA. You are evading the question. I am asking you whether unemployment does not produce that prospect.

Dr. BENSON. If it is on a big scale, yes; but if it is on a small scale, no.

Mr. RESA. What do you mean by "big scale"?

Dr. BENSON. I think the terms are reasonably understood. If there are millions of people thrown out of jobs, or a large percentage of people in a certain community are thrown out of jobs, it will create great hardship; yes.

Mr. RESA. Does the hardship of the individual depend upon the extent of the companionship he enjoys in his misery, or is not his individual problem exactly what it would be if no one else were out of work?

Dr. BENSON. Not entirely. If there are not too many out, they will be able to receive help from their families, who may not be out of jobs and who would be able to tide them over until a job was found. That is what I mean by "general." There may be one member of a family out of a job and another member may not be, and they can help one another.

Mr. RESA. If we had 9,000,000 people in this country, whose wages have been no higher than before, facing starvation, or who would face it in a comparatively short time because of unemployment, do you think nothing ought to be done about it?

Dr. BENSON. No, sir. I think a lot ought to be done about it.

Mr. RESA. Do you think there is any obligation to do anything about it?

Dr. BENSON. Yes, sir; there is a decided obligation to do something about it.

Mr. RESA. If the obligation exists, is there any real harm in recognizing the obligation by an explicit statement of its existence?

Dr. BENSON. It depends on what the statement is. If the statement is one that requires the Federal Government to get out and make jobs for everybody, then there is harm in it.

Mr. RESA. If the jobs cannot be provided in any other way, do you think nothing should be done about their situation?

Dr. BENSON. That matter of "the jobs could not be provided in any other way" is a very vague statement and can depend on who is making the statement. If it is those who are anxious to get Government into industry, they would be inclined to make it a lot quicker than the ones who are not looking for putting the Government into industry.

Mr. RESA. Well, there was not anything vague about the unemployment that existed in 1930, 1931, and 1932, was there?

Dr. BENSON. No; there was plenty of unemployment, and a good deal was done about it, but I think there was a good deal of blundering in what was done and, consequently, the results were not very satisfactory.

I want to be understood that I am seeking full employment, but I am saying that private enterprise, properly encouraged, will provide the best opportunities for labor and pay them the highest wages.

In China, I never say any unemployment, but the family income never rose above \$10 a month, and in many cases less; yet nobody talked

about unemployment. And they were working 10, 12, and 14 hours a day.

We feel that private enterprise will pay better wages than the Government and provide more jobs.

Mr. RESA. Doctor, you and I do not disagree on that at all, but we cannot deal with tragic emergencies by bandying terms applicable only to times of normalcy, and I am speaking now of tragic emergencies. And so far as this bill has my support, it is designed to meet only such things. So let us confine ourselves to the bill.

You have frequently mentioned the advantages of competition. Let me say, if I can render any small service to the end of producing competition in this country, there will be more of it. But will you point out any provision in this bill that destroys competition?

Dr. BENSON. Yes; I will. The principle of the Government's guaranteeing jobs to all who want them is a definite threat to competition and, if it is put into operation on any large scale, I think would ultimately kill the whole system of private enterprise and competition and lead to the Government's providing all jobs.

Mr. RESA. What is the basis for that, Doctor?

Dr. BENSON. This is my basis: If the Government guarantees jobs for all, we will at the end of this war and, in fact, at the end of this fiscal year have a debt of approximately \$300,000,000,000, which is said to be about the intrinsic wealth of the United States; consequently, our people will not be willing for our Government to provide jobs by deficit financing; consequently, there will be great pressure for Government-provided jobs to become productive jobs. Then when they go into the field of production, they are in competition with private enterprise, and Government-managed industry can continue to produce whether it makes ends meet or not. It can produce at a loss; private industry cannot.

So there is that distinct threat to private enterprise when we have the Government getting into the field of production. This present bill provides they shall not go into the field of production, but if the Government finally finds it has to provide a lot of jobs, then there will be pressure for the Government to go into production; and if that pressure should become great enough, then Congress would amend the bill for the Government to go into production rather than to continue to provide jobs by deficit financing.

Mr. RESA. That is not the question I asked. I asked what is there in this bill that destroys competition. As I understand your answer, it is that fear will do so, and not anything in the bill—what you fear may be the consequences of the enactment and operation of the bill.

Dr. BENSON. That is right. The consequences that I think would follow the enactment of the bill.

Mr. RESA. But it is not anything in the bill.

Dr. BENSON. Not exactly. But I think the threat of the Government's providing jobs for all is a threat to private enterprise and, in the doing of which, immediately becomes a threat to private enterprise, which naturally would stand back and say they were just going to stand back and wait until they see what is going to become of the private enterprise system. Men are standing back now waiting to see what changes are going to be made in the tax structure, as I know myself, before they are willing to make a venture.

Mr. RESA. Do not you think the American working man and woman would rather be employed in private industry for wages than to have to depend upon emergency employment in public works?

Dr. BENSON. If you have private employment; but we are no longer really on that basis if we are going to provide continuing jobs for all by Government. Then it is just a matter of some job. I used to think the people of this country preferred private jobs rather than Government jobs. Recently I have decided the other way, that they would rather be on Government jobs, because they will have to do less work.

Mr. RESA. Will you point out what provision in this bill destroys the efficiency of private enterprise?

Dr. BENSON. Anything that is a threat to free competition is going to injure efficiency and freedom of enterprise.

Mr. RESA. Are not you in the same position with reference to that statement that you are with reference to the question regarding competition; it is not anything in the bill; it is what you fear may be the consequence of the operation of the bill?

Dr. BENSON. If the provisions of the bill are never put into effect, yes; it is not likely to hurt very much.

Mr. RESA. Do you think if this legislation had been in effect that Henry Ford would not have manufactured automobiles or given employment at \$5 a day?

Dr. BENSON. It depends on whether conditions would have been such that the provisions of this bill were brought into operation. If the provisions of this bill were brought into operation on any large scale, no; I do not think he would.

Mr. RESA. Why not?

Dr. BENSON. Because there would have been the fear then of Government competition. Men do not go into the lumber business today, the housing business today, and do not take other ventures today, because of present taxes. Fear of Government competition would produce the same results.

Mr. RESA. You referred to an estimate to the effect there will be, as I recall, 6,661 jobs in Arkansas and that there are 6,666 workers. You regard that estimate as reasonably accurate, do you not?

Dr. BENSON. Yes. As I stated, the estimate of the workers is very liberal; the estimate of the jobs we consider quite accurate.

Mr. RESA. Do not you think it would be possible for the Federal Government to make estimates of comparable accuracy on both accounts?

Dr. BENSON. If they go about it in as detailed a way as every town and community and got the people's own figures; we did not just make a guess and we did not just sample a county or two and guess at the rest of the State, as is generally done in the Federal figures.

Mr. RESA. My question was, Is it not possible for the United States Government to make estimates on both of those matters of comparable accuracy, as compared with those made by the State of Arkansas?

Dr. BENSON. Well, suppose we check what they have done in estimating their own expenditures over the past 7 years. They have been very inaccurate; yet, evidently, they were trying as hard as they could. We may find, for instance, a year from now that ours does not prove out.

Mr. RESA. Did I understand you to say it is not possible for the Federal Government to make estimates with comparable accuracy?

Dr. BENSON. I say it is impossible to make it consistently inaccurate. You might make it a time or two by accident.

Mr. RESA. The estimate of Arkansas is not accidentally accurate, is it?

Dr. BENSON. I do not know whether it is accurate yet or not. A year from now we may find it is entirely inaccurate. But we think it is accurate; we just think that.

Mr. RESA. A moment ago you told me you considered it was accurate.

Dr. BENSON. I do consider it as good as anybody's.

Mr. RESA. No; pardon me; you said it was "accurate." That was the word. That is the word I asked about, and you said you considered the estimate was "accurate."

Dr. BENSON. I do.

Mr. RESA. Now you are receding from the word "accurate"?

Dr. BENSON. No; I still consider it accurate, but a year from now when we prove it I may have to admit I was wrong.

Mr. RESA. Now, you were asked some questions about the advisability of providing the farmer with a price for his product that would cover the cost of producing it and afford him a reasonable profit. I think the word was a "small" profit. His chance of getting that price for his product would depend upon the extent of employment in the cities, would it not?

Dr. BENSON. It would depend upon the need for his product, would it not?

Mr. RESA. No; I beg your pardon. As I understand it, in the 1930's, the farmers were losing their farms because there were so much undisposed of farm products and the people in the cities were starving because they could not afford to pay for them. So am I not right in saying what the farmer gets depends on what he sells, and what he sells depends upon ability of others to buy it? The farmer does not reap a profit out of unsatisfied hunger in the cities, does he?

Dr. BENSON. Were you here when I read my testimony?

Mr. RESA. Yes.

Dr. BENSON. You observe I stated the only way farmers can expect high prices is for labor to be employed at good wages and eating well.

Mr. RESA. So the prosperity of the farm population would be seriously impaired by unemployment of eight or nine million people?

Dr. BENSON. We are in perfect agreement on that. Our basis for farm prosperity is full employment of labor at good wages.

Mr. RANDOLPH. Doctor, you are a distinguished and able educator. I know that from following your career. I am wondering why—and this is asked in the correct spirit—you cannot turn your energies, and the energies of others who can join with you, in trying to raise the wages of the underpaid school teachers in this country? You come here and talk so fluently and convincingly about the over-all labor situation, I am wondering why you cannot get the teachers in this country to have a wage commensurate with their jobs and background preparation necessary for them to hold those positions.

Dr. BENSON. That is a very practical question and one that we particularly are wrestling with. I think one of the reasons is that

the wages of all teachers have not been so low for long; but, during the war, other wages have gone up and the wages of teachers have not, so now it is worse than over a long-range period.

In Arkansas, we are doing this: I am a member of Arkansas-Texas Taxpayers Association and chairman of the executive committee. We went into a joint meeting last year with the Arkansas Teachers Association and we agreed if they would help us get the reforms in the school system we need and eliminate the things I described a moment ago, we would undertake to get at least \$4,000,000 of new money to go into salaries for teachers. We are interested in that; we are working on it in our States.

Mr. RANDOLPH. Frankly, I hope you won't spread your interests too far afield and will concentrate with others on that subject; because certainly if you in the school business are not agreed about it, those on the outside will never agree.

Mr. HOFFMAN. Doctor, from other hearings it appears that in California, Michigan, I assume in Florida, and some other States which grow wheat or seasonal crops, there is need occasionally for additional employees. Now, during the war and before that, for that matter—but during the war especially—there were hundreds of thousands of employees moved into Detroit, into Willow Run, and the industrial area in Michigan.

Dr. BENSON. Yes.

Mr. HOFFMAN. Just how are you going to provide employment for those people if, for example, you do not move them from the cities into these agricultural or fruit- and berry-growing communities?

Dr. BENSON. You mean if they are moved at Government expense?

Mr. HOFFMAN. Yes.

Dr. BENSON. Normally wages have drawn people to go where the work was. It did during the war and it did before the war.

I live in a berry-growing country. My county in Arkansas is thought to grow more berries than any other county in the country.

Mr. HOFFMAN. Yes; but from your State now we have in Michigan, in the district I represent, people who come there year after year to help harvest or pick the apples, strawberries, and other fruits and berries.

Dr. BENSON. Yes.

Mr. HOFFMAN. And when the season is over, they go back home.

Dr. BENSON. Yes.

Mr. HOFFMAN. Well, in any scheme whereby the Government is to furnish jobs, is it not self-evident that those jobs cannot always be in the same locality?

Dr. BENSON. Surely.

Mr. HOFFMAN. That is to say if there is a great deal of unemployment in the Detroit and Dearborn areas, those men will have to be moved?

Dr. BENSON. That is right. And if the Government is providing jobs, it will have to take the responsibility of moving them to where the jobs are.

Mr. HOFFMAN. Either that, or have to build factories and make things where the people live?

Dr. BENSON. That is right; but in farming, picking berries, and the like, they have to go where the land is.

Mr. HOFFMAN. Under this bill, section (b), or subdivision (b) of the last paragraph states "The use of compulsory measures of any type whatsoever in determining the allocation or distribution of manpower" is prohibited.

Dr. BENSON. That seems a bit contradictory, because we cannot surely assume the responsibility of providing men with jobs just anywhere they happen to be, and with the sort of jobs they want.

Mr. HOFFMAN. Another thing that bothers me: Perhaps those automobile workers out there, or those precision tool makers, are out of employment because there is no need for that product any more. It may be they want them in the shipyards, but perhaps the automobile worker is not fitted for the shipyard job. What are you going to do about that under this bill?

Dr. BENSON. I do not know. It creates tremendous problems, all of which would be very difficult of solution. Under the private enterprise system men move because wages justify it. Today people move through our State picking berries and they move on north picking berries, and there are those who seem to like that sort of employment and follow it, and then go back home when it is over.

Mr. HOFFMAN. Under this bill, as I get it, if private enterprise does not provide jobs, then the Government has the necessity to pick up the man, a telephone man or whoever he may be, and transport him to another community, if that is true.

Dr. BENSON. Mr. Beveridge discussed that in his book. He said you would either have to move the factories, or to move the workers, and sometimes you might move one and sometimes the other.

Mr. CHURCH. If the Government goes into a planned economy program, then there would have to be enough regimentation to protect the program, but would not that amount to state socialism?

Dr. BENSON. Yes. I do not think it can be done successfully without being done in full, which would mean state socialism. That is why I am very much alarmed about our starting to venture in on this sort of plan at all.

The CHAIRMAN. If there are no further questions, thank you very much, Doctor.

(Dr. Benson submitted the following for the record:)

WASHINGTON, D. C., October 18, 1945.

Congressman CARTER MANASCO,

House Office Building, Washington, D. C.

DEAR MR. MANASCO: I want to thank you and the committee for the very courteous treatment accorded me as a witness this morning.

With your permission I also wish to supplement my answer to one of the questions which two of the members of the committee asked.

I would like to have this supplemental answer included in the record and shall be happy if you care to read it to the committee.

The supplement is attached.

Sincerely yours,

GEORGE S. BENSON,
President, Harding College, Searcy, Ark.

SUPPLEMENTAL ANSWER TO QUESTION ASKED DR. GEORGE S. BENSON IN HIS TESTIMONY BEFORE HOUSE COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS ON OCTOBER 18, 1945

Question: "Does the full employment bill, as it now stands, provide for anything that will be injurious to private enterprise?"

Answer: Yes; it does. For instance, this bill carries the facilities for labor leaders, so inclined, to use the Federal Government to create socialism and

kill off private enterprise. By this bill the workers in any industry would be entirely protected while making demands that would destroy private enterprise.

With the Government guaranteeing full employment for all Americans who wish to work and are able to work, no group of employees would necessarily be concerned regarding the success of the industry in which they worked. For instance, they could call for higher and higher wages, they could present other demands that would result in the failure of the industries in which they were employed, with the full knowledge that at any time these industries failed, the Federal Government would be required to provide jobs for the workers. This would undoubtedly immediately affect the attitude of the employees toward their employers and, accordingly, affect the security of private enterprise.

Thus, the bill as it now stands does carry provisions which endanger and could readily destroy private enterprise.

The next witness we have is Dr. Arch D. Schultz, who submitted a statement yesterday, but we had a roll call and could not get to him. The testimony was furnished to the members of the committee. Do you have any further statement you would like to make, doctor, before questions are asked?

FURTHER STATEMENT OF DR. ARCH D. SCHULTZ

Dr. SCHULTZ. I would like to read to the members of the committee certain parts of my statement which was put in the record yesterday. I can cut it out in spots and save some time. I presume they have not read the statement.

The CHAIRMAN. I have. It is a very good statement.

Dr. SCHULTZ. Is it agreeable that I read certain parts?

The CHAIRMAN. Yes.

Dr. SCHULTZ. I am speaking in behalf of a special committee of the Ohio Chamber of Commerce which was appointed originally to study Senate bill S. 380 which, I understand, is now before this committee in an amended form.

First, however, I wish to present observations and opinions of our committee with respect to H. R. 2202, which we understand is substantially similar to the original Senate bill S. 380. May I say, further, at the outset, we believe S. 380 as it has come to this committee from the United States Senate—

The CHAIRMAN. This is already in the record. I do not think we need anything more than the questioning.

Dr. SCHULTZ. I will proceed, then, to some of the things that deal with the bill. I just wanted to be sure it was clear as to what I was presenting; that is, it is the opinion of the committee. Let me say this: It is distinctly the opinion of our committee, since they went over this statement and approved it before I came down here.

Mr. HOFFMAN. You understand the members of the committee received a copy of this yesterday—I know I did, and I read it last night, and I supposed the doctor was to come this morning for questions.

Dr. SCHULTZ. If every one of the members of the committee present has read this statement, I would see no need for my repeating it; but I doubt if they have.

Mr. HOFFMAN. Is not that so, Mr. Church?

Mr. CHURCH. Yes. You can assume that the members of the committee will have an opportunity to read the printed hearings, but the members who are here want to cross-examine you.

Dr. SCHULTZ. How will they know what is in here as for whom

I am speaking, which is not myself? I am agreeable to doing it either way.

The CHAIRMAN. Since it will all appear in the printed record and we have read the statement, it is not necessary to read the statement again.

Dr. SCHULTZ. I did not propose to read the whole thing; only certain parts. But it is O. K. with me either way.

The CHAIRMAN. I believe it would be better for us to ask some questions on the statement, since we have all read it.

Dr. SCHULTZ. That is perfectly agreeable with me.

The CHAIRMAN. I notice on page 2 of your statement you agree that Congress has recognized the responsibility of the Federal Government in preparing plans and programs or appropriating money to provide employment for people who have been thrown out of employment. I am glad you made that statement. Most people, evidently, think Congress has done nothing but sit idly by watching people starve to death in this country, without doing anything. As a matter of fact, the Congress is today considering a bill that will give employment to people, and we will consider an appropriation in the next week that will give employment to people through needed public works, and I think you can enumerate many, many things that Congress has done. We have appropriated money for the Export-Import Bank to assist our foreign trade, which will give work to American people. I think it is very unfair to say that Congress has not done anything.

Now, Doctor, you are an economist. Do you think it is possible for any one economist or any group of economists or statisticians to sit around the table today and take every available fact—we have 75 different statistical gathering groups in the Federal Government, and many in private industry or the colleges, and if all of those groups could get together and sit down, do you think they could prepare an estimate of the number of people who will be unemployed 12, 14, 16, or 18 months from now?

Dr. SCHULTZ. Why, they could get together a bunch of figures for you. I would have no confidence in them, however. They might be right and they might be wrong. I was impressed by the fact that on the 25th of September, according to a statement which I understand was put in the record here, the Director of the Budget was asked for certain statistical information and it was submitted on the 8th of October—only a matter of a few days in which an estimate of the labor force was given and an estimate of the future unemployment was given. I think that is rather miraculous speed for them to prepare anything as difficult as that.

The CHAIRMAN. That is the estimate, that 8,000,000 people will be unemployed next year.

Dr. SCHULTZ. Yes.

The CHAIRMAN. Doctor, in giving employment to those 8,000,000 people—and we will assume now that it is the responsibility of the Federal Government to do that—do you consider that it would be the responsibility of the Federal Government to pay those people the prevailing wage scale? I am just assuming that it is our responsibility to give employment to those 8,000,000 people. Now, do you consider it is the responsibility of the Federal Government to pay those people the prevailing wage scale?

Dr. SCHULTZ. You mean the scale prevailing in the locality?

The CHAIRMAN. In the locality.

Dr. SCHULTZ. I suppose, if you are going to guarantee employment and you are going to do it by local areas, the Government would have to assume that it has to pay the wages of that locality.

The CHAIRMAN. We have had figures presented, Doctor, that a family of four would require \$3,075 a year for a decent standard of living. That would amount to a little over \$24,000,000,000 of Federal expenditures without taking into consideration administrative costs, the costs of materials that go into the projects, and so forth. Do you think that our Treasury in its present condition could undertake to assume such an obligation as that?

Dr. SCHULTZ. I do not think 1 year of that kind of a program would bankrupt the United States Government. However, I do think, if you tried to carry on indefinitely in that way, it ultimately would. Back in the winter of 1941, I think it was, I attended some meeting of the American Statistical and Economic Association in New York and I heard a college professor there give a defense of a national debt of 4,000 billion dollars; Professor Harris.

The CHAIRMAN. Four thousand billion?

Dr. SCHULTZ. Four thousand billion. It was his contention that the Government could have that much debt and still not go bankrupt. I did not agree with that.

Somewhere between what we have now, \$300,000,000,000, and that figure, I suspect we might have difficulty paying the interest and we probably would be led to inflation before we got to any such figure as that.

The CHAIRMAN. Would not that be the only answer, inflation to such an extent that the dollar would be worth about a penny?

Dr. SCHULTZ. The economic history of those situations is that it leads you to the printing press long before you get to bankruptcy because of an actual inability to pay off the interest on the debt.

The CHAIRMAN. That would be leaving out any sound monetary consideration of the purchasing power of the dollar, would it not?

Dr. SCHULTZ. Exactly. I do not see how anyone can say how much debt the United States can stand. I think any economist will say that there is a limit to it somewhere.

The CHAIRMAN. It is generally understood that our Federal income next year will be less than \$35,000,000,000. Of course, we have obligations to returning veterans, and unless the purchasing power of the dollar is kept at a pretty substantial level, the compensation that we are now paying our disabled veterans and the pensions we are paying the dependents of those who were killed in the service, will be absolutely worthless; that is, unless we have a sound monetary system.

Dr. SCHULTZ. That is right.

The CHAIRMAN. We have that fixed obligation of, it has been estimated, anywhere between three and five billion dollars as our responsibility to veterans under existing laws. If we are going to inflate our currency at the same time it would be necessary to increase the amount of the benefits paid to those disabled veterans and their dependents. That would be an obligation which, in turn, would increase the amount of Federal expenditures; is that not true?

Dr. SCHULTZ. Exactly.

The CHAIRMAN. Also I noticed some estimates in the paper this morning, that it would require over $3\frac{1}{2}$ billion dollars to maintain a peacetime navy; probably $5\frac{1}{2}$ billion dollars for a peacetime army and Air Force, and the normal Federal expenditures must be taken into consideration; the obligations and commitments that we have already made, which would be about \$6,000,000,000. Then we are being called upon to make loans to our allies to stimulate their reconversion.

Dr. SCHULTZ. Yes. It concerns me greatly that after we take all of our normal needs into consideration, plus those of our allies which will be asked for, if we embark on a program of guaranteeing this, what would happen? That is the burden of my statement, as you know.

The CHAIRMAN. Doctor, have you made some studies of errors in the submission of budgets to the Congress over the period of the last few years?

Dr. SCHULTZ. I have not done any work on the United States Budget. However, I have been very intimately associated with work in the Ohio State government.

The CHAIRMAN. You are not familiar with the budget estimates over the period of the last 10 or 12 years, and the actual deficiency estimates that were later submitted, are you?

Dr. SCHULTZ. I have seen comparisons made by Dr. Tucker and by Dr. Spahr, so I am familiar with what they say about them. I presume those gentlemen have testified correctly before Congress on that matter.

The CHAIRMAN. This bill provides an assurance—there was some argument as to whether an assurance means a guarantee—of a job. If it does not mean a guarantee of a job, I cannot see why we should use the word "assurance" in it. Do you think that in assuring every person a job it would necessarily follow that we might have to limit our production; that we would have to place ceilings on production of factories if we saw that there might be overproduction, and then the Federal Government would have to step in and give those people employment?

Dr. SCHULTZ. I think that is all part of the picture. If you are going into socialist economics and going to guarantee everybody a job, there may be times when you will have to do just what this bill provides. As I said in my statement, you would have, perhaps, to hold down production in certain lines. I used the illustration, in my statement, of the automobile industry where you have a long-lived product. You may produce all the automobiles the country might need, in 2 or 3 years. Then, under a guarantee of employment, the Government, if it is going to guarantee all of the automobile workers permanent employment, might have to slow down the production of those automobiles and actually reduce the number of jobs they might otherwise have under private enterprise. I think that is vital to the whole case of H. R. 2202.

The CHAIRMAN. Section 3, paragraph (d), beginning on line 17, page 6, and continuing over to page 7, has this language:

* * * the President shall set forth in such Budget a general program for preventing inflationary economic dislocations, or diminishing the aggregate volume of investment and expenditure to the level required to assure a full employment volume of production, or both.

Do you not think under that section it would be possible for the President, if necessary legislation implementing this act were passed, and it would be his duty, to place a ceiling on production when he saw that there was going to be overproduction in any one industry, more than the consumers could purchase? He would then have to place a ceiling on production, would he not?

Dr. SCHULTZ. I think that is exactly what that section means. And furthermore, if the President recommends it, under our system, if Congress failed to follow that recommendation and things did not go satisfactorily, then the blame would be placed upon Congress.

The CHAIRMAN. And would it not also be necessary under that section, if the President found that investments were expanding production in a certain industry, to curb those investments?

Dr. SCHULTZ. I think that authority is in there.

The CHAIRMAN. You think that is in this bill?

Dr. SCHULTZ. Yes. I think that is what the section means. That is what we all concluded when we studied it, in our committee.

The CHAIRMAN. This may be a little farfetched, but carrying that to its ultimate conclusion, would it not be possible for the President, under that section, to tell the people that the use of tobacco was liable to cause a dislocation of employment; that it was a needless expenditure of funds; that betting on horse races was undesirable; do you not think that, carried to an extreme, would be possible?

Dr. SCHULTZ. I do not suppose that would happen in the first year and it might not happen in the first 5 years of this socialist system that is proposed here. But I think we would ultimately get to just that point. We had some of that during the war years when we had to limit consumers in what they ate or what they smoked and in other things that they wanted. If the bureaucracy that is set up to guarantee full employment should decide that something other than my tobacco was needed, then I would have to do without my tobacco. I do not think that what you suggest is so farfetched.

The CHAIRMAN. In paragraph (f) of section 3 there is this language:

The national budget shall include a report on the distribution of the national income during the preceding fiscal year, or such longer period as the President may deem appropriate, together with an evaluation of the effect upon the distribution of the national income of the programs set forth in such budget.

Do you not think under that section that the President could prevent locating factories in areas where there are already short labor markets, and force them to place those factories in other areas?

Dr. SCHULTZ. Yes.

The CHAIRMAN. I am referring to private investors now.

Dr. SCHULTZ. I think so. I suppose somebody would say, however, that that is prohibited on page 12, where it says that—

Nothing in this act shall be construed as calling for or authorizing * * * the operation of plants, factories—

and so forth.

The CHAIRMAN. I am talking about private investments. I am not talking about Federal investments. Let us say that a concern decided to build an automobile factory in the Detroit area. The President found that there was a short market there, but that they had plenty of labor in St. Louis or Kansas City. Under the provisions

of this bill would it not be possible for the President to say, "You cannot build your factory in Detroit, you must build it in Kansas City"?

Dr. SCHULTZ. I think that is exactly what this bill means; yes, sir. Or, as Dr. Benson has put it, move one or the over; move the labor to the plant or move the plant to the labor.

The CHAIRMAN. I was coming to that. Do you not think, under the terms of this bill, it would be possible for the President to compel people to move from one area to another?

Dr. SCHULTZ. Absolutely.

The CHAIRMAN. I recall, in the early part of the war, some of our Government planners had in mind moving from the so-called hill lands, submarginal lands, to more productive areas, the farmers in those areas. And at one time it was thought that we might be called upon to vote to give the President authority to move those people. Do you not think this bill would probably grant that authority?

Dr. SCHULTZ. Yes, sir.

The CHAIRMAN. And if they decided that my hill farmers were not producing enough, the President could move them into the Mississippi Delta?

Dr. SCHULTZ. Yes, sir; I think that is just what this bill provides, just exactly that sort of thing.

The CHAIRMAN. You think that could happen under the provisions of section 3 of H. R. 2202, paragraphs (c) and (f)?

Dr. SCHULTZ. I would say it is provided more specifically on page 3 under paragraph (e).

The CHAIRMAN. That section, I understand, is considered the pious declaration section, but under section 3—

Dr. SCHULTZ. There is nothing pious in section 3. That is the section which provides socialism, to us.

The CHAIRMAN. You think socialism could be the result of section 3?

Dr. SCHULTZ. I am not prepared definitely to say "yes" on that. I would have to take a moment to examine that section a little more carefully.

Yes; I think that is right. It is the same thing again except, in this case, as I understand that section, it authorizes the President to make a recommendation, and the Congress would, of course, be in the position, in our opinion, of having to go along with whatever was recommended, or the criticism and recriminations of Members of Congress would be in order if things did not come out as they were recommended.

Mr. CHURCH. We would have to pay out a lot of money to meet those recommendations, would we not?

Dr. SCHULTZ. Yes; if any thorough job at all was done.

Mr. CHURCH. I would like to ask the doctor to forget his modesty, and briefly to qualify himself as a witness. Before you do that, Doctor, with reference to the Ohio group that you represent, would you break that down generally as to size of business; how many small businesses of certain types and large businesses of certain types, there are?

Dr. SCHULTZ. As you probably know, I am not connected with the membership department and do not know the exact figures. We have a membership, which I am told and I believe to be true because of

my long years of association and acquaintanceship with the members, that is a cross-section of the entire business of Ohio.

Mr. CHURCH. Will you put in the record a statement of that and also a statement of your qualifications and experience?

Dr. SCHULTZ. I shall.

(The statement requested is as follows:)

OHIO CHAMBER OF COMMERCE,
Columbus, Ohio, October 20, 1945.

The Honorable CARTER MANASCO.

*Chairman, Committee on Expenditures, in the Executive Departments,
House Office Building, Washington, D. C.*

MY DEAR CONGRESSMAN MANASCO: After the hearing closed Thursday, October 18, I was asked a question as to my qualifications for speaking to the bill (H. R. 2202). It was my understanding that I was to write the answer to the question for the reporter who was taking notes of what was being said.

They are as follows: At the present time, I am director of research for the Ohio Chamber of Commerce, and have been for 15 years, in which capacity I act as economist, also. I hold the degree of doctor of philosophy from the University of Michigan in economics. I was instructor in economics at the University of Michigan for 1 year, in the College of the City of Detroit for 1 year, during which time I was finishing my advanced work at the University of Michigan. I then became assistant professor of economics at Ohio Wesleyan University, which position I held for 4 years, teaching principles of economics, statistics, and public finance.

I believe this will be sufficient for the record you wished on this point.

Sincerely yours,

ARCH D. SCHULTZ,
Director of Research

The CHAIRMAN. Have you any other statements you would like to make on the bill?

Dr. SCHULTZ. I have finished, if you are through with me.

The CHAIRMAN. We thank you very much.

The committee will recess until 2:30 p. m.

(Whereupon a recess was taken until 2:30 p. m.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

We have with us this afternoon Mr. E. E. Milliman, president of the Brotherhood of Maintenance of Way Employees.

Mr. Milliman, do you have a prepared statement?

Mr. MILLIMAN. Yes; I do.

The CHAIRMAN. Do you have any extra copies?

Mr. MILLIMAN. Well, I furnished them to your secretary.

The CHAIRMAN. They are probably around. You may proceed, Mr. Milliman.

STATEMENT OF ELMER E. MILLIMAN, PRESIDENT, RAILWAY BROTHERHOOD OF MAINTENANCE OF WAY EMPLOYEES

Mr. MILLIMAN. Mr. Chairman and members of the committee, my name is Elmer E. Milliman. I am president of the Railway Brotherhood of Maintenance of Way Employees, and have been a national officer of my organization for 24 years. Our union represents 265,000 maintenance of way workers on the railroads of America. It is one of the largest of the 21 standard railway labor unions. I appear here, however, not only in behalf of my own organization, but like-

wise as spokesman for the Railway Labor Executives Association, representing 1,400,000 railroad employees in this country. I shall, inevitably, speak out of the long experience I have had. I confess I may speak with some bitterness and you will appreciate why when I tell you that I represent an organization where thousands upon thousands of men, heads of families, are compelled to try to exist with an income of less than \$1,300 a year. Think of that for a moment and then I know you will agree with me that I am justified in surrendering myself to bitterness.

Gentlemen, I shall be brief. I am well aware that you have heard testimony on this legislation off and on for nearly a month. I suppose there is little that I can add to what already has been said about this bill. Certainly, I do not intend to tell you what is in this legislation; you know that better than I. Neither do I intend to argue the legal or economic merit of the bill. I do want to tell you, as simply as I know how, why the enactment of this legislation will result in long time good for labor, management, and the general public.

Mr. RICH. May I ask a question right there?

Mr. MILLIMAN. Yes, sir.

Mr. RICH. You say you do not know what is in the bill, and then you say the enactment of the legislation will result in long time good for labor, management, and the general public.

Mr. MILLIMAN. I did not say I did not know what was in the bill.

Mr. RICH. I thought you said you did not know what was in the bill.

Mr. MILLIMAN. No; I said I did not intend to attempt to tell you what is in this legislation which you know better than I. I did not intend to go into repetition of what is in the bill.

Mr. RICH. I misunderstood you.

Mr. MILLIMAN. The greatest merit of this legislation, as we in railway labor see it, lies in two factors.

First. Its declaration of policy should serve politically to fix the responsibility on the Federal Government to take such action as may be necessary to assure full employment in this country. I am well aware that this declaration is not in itself substantive law. But gentlemen, neither is the Declaration of Independence substantive law. It was a policy-making document, as integral a part of our code of laws as the Constitution itself. It set down beliefs that struck a responsive chord in the hearts of mankind. It said that among the inalienable rights of men are life, liberty, and the pursuit of happiness. The signers of that Declaration did not quibble over language; they did not amend the Declaration to say that man is entitled to happiness only when the Government's budget can afford it; or only to such happiness as would not interfere with the economic good of the Nation. They did not throw in any weaseling phrases to modify the degree of liberty that mankind might enjoy under this new proposed government. And for those rights men and women in this country suffered and fought and bled for seven tortuous years, enduring privation and hunger and difficulties stoically and with high purpose, remembering always what they were fighting for.

Second. The second factor is that the bill would prescribe an annual routine directing the attention of the executive and the legislative arms of our Government to the problems of unemployment and thus

give some assurance that the danger of neglect will be avoided. And if there are any who contend that there has not been neglect of this problem, I ask them to study the cyclical periods of depression and unemployment through which this country has gone; periods which have brought that amazing paradox of untold suffering to millions of people in the richest country on earth, starvation, disease, poverty, and social and economic unrest that were, I earnestly believe, in large part avoidable if only we had the common sense and the courage to meet the problem face to face.

I want to interject here what we like particularly about this bill is the proposal for a joint congressional committee on the national budget. I am one of those and I believe that I speak for the laboring man generally when I say it, who espouses earnestly and almost fervently the wisdom and power of legislative government. You men here in Congress represent us; you are close to us; you live with us and among us; you know our problems, our hopes, our aspirations. We can talk to you man to man. Throughout our history in this country, labor has learned through long experience that its strength in national affairs lies in the Congress. I like the idea of 30 Members of the Congress, 30 men from every part of this great country, wrestling with the national budget and making binding decisions on national fiscal and economic policy. I like the idea that Congress will decide on national policies, simply because I believe that then the people will be making those decisions. And when the people make those decisions we have democracy in action.

I think I should add at this point, for the sake of the record, that of course we do not believe that this bill would authorize the operation of plants, factories, or other productive facilities by the Government; it does not permit the use of compulsory measures for the allocation or distribution of manpower; it does not prescribe any change in appropriation procedures by the Congress; or even any appropriation for, or the carrying out of, any program set forth in that national budget until that program shall itself have been authorized by other provision of law.

Those allegations are part of the vicious cloak of propaganda that has been thrown around this legislation in an attempt to kill it by making it appear a socialistic measure. If the bill would do these things, we would not be for it.

I believe those of you in Congress who know the railway labor unions, know that I am speaking facts. Our record is clear; we are for the American system of private ownership and democratic government; we have no sympathy with any foreign "ism" or ideology.

But if we do not have intelligent and far-sighted leadership in American government, we are going to play into the hands of those who seek to change systems of government.

We know this legislation; our economists and our lawyers have studied it. And we say to you now in the plainest language we know how to use that if we neglect to chart a course that will insure to the great mass of American people a decent standard of living, freedom from paralyzing depressions and periods of poverty and degradation, we are playing with fire.

I want to repeat here before your committee some points that were made before the Senate Committee on Banking and Currency during

hearings on the bill. These points were stated by D. B. Robertson, president of the Brotherhood of Locomotive Firemen and Enginemen.

Certainly the objective of attaining and maintaining full employment is of more importance to labor than any other single objective. Particularly is this true when it is borne in mind that the attainment of full employment requires wage structures and working conditions which assure labor getting its proper proportion of the national income and full participation in the advancement of the standard of living.

The enactment of this bill, of course, would not in and of itself attain these objectives. Its only value lies in creating conditions in which the objectives may be attained if the President and Congress diligently, wholeheartedly, and wisely carry out annually the responsibility which the bill would put upon them.

Any failure to realize this fact might bring about discontinuance of effort upon the enactment of the bill and thus make the bill actually self-defeating.

There are two respects in which the bill seems to me to be particularly inadequate. In the first place, it seems to me that it should be recognized that existing sources of information in this country are not adequate for the preparation of the contemplated national budget in a form that will be most reliable and meaningful.

To remedy this it is not necessary that existing facilities for the acquisition of information be duplicated. I would recommend the inclusion of additional, specific provisions authorizing and making it the definite responsibility of the President to assign to appropriate departments and agencies in the Federal Government the responsibility for gathering and maintaining in a form most useful for the preparation of the national budget the information upon which a really reliable national budget could be predicated.

In the second place, I believe that the bill underemphasizes the bearing on full employment of Federal Government policies other than investment and expenditure.

Although I think most up-to-date economists agree that the aggregate volume of investment and that a high-employment rate goes hand in hand with a high volume of investment and expenditure, it seems to me that there is danger in casting the attainment of full employment so largely in terms of attaining the proper aggregate volume of investment and expenditure.

Many policies determined largely by motives not directly related to employment, have an important bearing on employment. Tax policies, farm policies, tariff policies, export policies, social-insurance programs, policies toward monopolies, patent policies, and still other policies have a bearing upon full employment.

I would recommend that the bill include more definite provision for placing upon the President responsibility for making recommendations with respect to all governmental policies affecting employment and placing on the joint committee the responsibility for addressing itself to these problems in the formulation of the policy-making joint resolution.

Gentlemen of the committee, I know that there is opposition to this bill. It is contended, for example, that the bill promises something that cannot be fulfilled, namely, full employment.

In the first place, the bill makes no such promise. The bill, if enacted, would provide a means, a mechanism, so that action could be taken toward insuring full employment. We have no such mechanism now.

We achieve full employment now only in periods of war, when Government money is tossed into production channels with only one objective, win the victory in the shortest time.

Isn't it a travesty that the greatest prosperity for our people is achieved only in the periods of greatest sorrow and bloodshed? Isn't there something wrong with our methods when the richest Nation on earth has millions of workers looking for work in times of peace? Isn't there something wrong about a procedure which takes it as a basic premise that a free economy cannot insure a full dinner pail for every person who wants to work?

Perhaps the bill would be better named an economic planning bill, or a national budget planning bill. But by whatever name it is called, it proposes a sound, intelligent method of insuring a better economy for our people.

I agree with Congressman Wright Patman when he said that there are some in this country, unfortunately men of influence, who do not want continuing full employment. I emphasize that word "full." They would much prefer a continuing situation in which the Nation has a floating unemployed population of three, or four, or even five million people. These people want a certain amount of unemployment because it makes for what they call a stable labor market. What they really mean is that when men are out of work and they and their wives and children are hungry, such men will work for such pay as the employer thinks is proper pay. That kind of philosophy is dangerous, not only for them and for the workers, it is dangerous for our very form of Government.

Gentlemen, what is the dominant topic of the day? Strikes, labor unrest, labor troubles. The newspapers and the radio are full of it. As a man identified all his life with labor and the head of a major labor union, I am not unaware of the general reaction of the public regarding strikes. I know that the great mass who are neither management nor workers are becoming worried at the wave of strikes. Much misguided prejudice is helped along by clever propaganda which baits the public with the alleged ingratitude of the worker, who, they say, has just come out of a lush period of employment.

Do you think that workingmen want a strike? Do you think that working men and women enjoy strikes and picket lines and loss of income? Do you think it is a lark and a picnic for them?

Gentlemen of the committee, no responsible labor leader wants a strike. He shuns it as he would poison. He knows, as the worker knows, that a strike means hardship and difficulty at home, loss of income, political danger to the whole program of organization of workers for collective bargaining.

But what is he to do? The strike is his only weapon when negotiation, conciliation, mediation, and arbitration fail. We in railroad labor have, as a result of long experience, formulated machinery which reduces the strike threat to a minimum. But even we have strikes when all other means are exhausted.

And, basically, behind every labor and management difference is:

the economic question. I am well aware of jurisdictional differences. They are many, but actually they are an insignificant percentage of the causative agents of strikes.

If American workers had steady employment, if they had what every man is looking for—security—security in tenure of employment, with decent wages and working conditions, we would be a long way on the road toward washing out labor troubles in this country.

Is not it time that we learned something from history? Look at Russia, at Germany, at Italy, at Spain. Their people were hungry as a result of unemployment. In desperation they were driven to follow anyone or any cause that promised to relieve their hunger. Revolution resulted and out of it all came the violent isms that almost destroyed civilization.

Unemployment produces hunger, and hunger is the breeding ground of revolution.

This bill before you is not a panacea. But it is a step in the right direction. It proposes to do something where nothing is being done. It would introduce planning and common-sense programing instead of a haphazard come-what-may policy. It is sensible legislation for the times. It is not revolutionary. It proposes no changes in our Government, either political or economic. But it adds up to good sense and sound management. I earnestly hope, and well over a million American hard-working railway workers hope, that the Congress will have the foresight and wisdom to enact this legislation.

The CHAIRMAN. Now, I will just ask you two questions.

Mr. MILLIMAN. Yes, sir.

The CHAIRMAN. Is there anything in this bill, this so-called full employment bill, except the joint committee, that the President cannot already do under the Constitution?

Mr. MILLIMAN. Well, I do not know as I can answer that definitely. I would say this, Mr. Chairman, that if there is not anything in the bill that the President cannot already do, it seems to me it is a very unusual circumstance and condition that nothing has ever been done along this line.

The CHAIRMAN. Well, responsibility for full employment seems to be placed at the doors of Congress, but under the law the President has full authority, and we cannot limit that.

Mr. MILLIMAN. Well, Mr. Chairman, even if the President has that authority, I think the proposal in the bill that sets up the requirements of what the President shall do and also what the joint committee shall do is the necessary thing that should be here. I think that Congress should have a joint committee that would have control over what was done and how it was done.

The CHAIRMAN. Of course, it has been our experience that joint committees are never successful.

Every man on the proposed committee is already busy and fully engaged. They are busy all the time. They do not have time to review these national Budgets. They leave that up to the Appropriations Committee, and everything that has to be done now goes through the regular appropriations bill.

The only thing, we have pledged to the people that the Congress will guarantee full employment. I think the word "assure" can be used interchangeably for the word "guarantee."

And I just do not believe that the financial structure of this Nation could stand next year to pay \$24,000,000,000 to give employment and decent living wages to 8,000,000 people.

I hope we can.

Mr. MILLIMAN. Well, Mr. Chairman, our great concern is this:

We know we have these cycles of full employment and prosperity, and then we have the cycles of depression in which millions and millions of men are out of work.

The CHAIRMAN. Surely. And if next year is going to be a period of a lot of unemployment I think of what happens 2 years from now and 3 years and 4 years.

We are considering right now a bill that will give jobs to people. A lot of your public construction is done in boom times when there are plenty of jobs in everything else. That is where we need some planning to hold backlogs of public works, when the industrial slack period comes, and just have them come in to take up the slack of unemployment.

But you remember all through our roadbuilding we built roads when everybody had jobs.

Mr. MILLIMAN. I have been an officer of labor a great many years and I know what the situation is in the railroads. We have literally tens of thousands of men who do not have full employment and they are paid substandard wages, many, many thousands of them. And when the railroad employers see fit to reduce their expenses the first expense cut is the expense of the workers.

Now, the only time the workers in this country are anywhere near prosperous is during a period of war.

Now, it certainly is a sad commentary on this Nation, the greatest Nation in the world, and I admit we are far ahead of other nations with the possible exception of a few small nations.

Mr. RICH. What nations do you refer to in those certain small nations?

Mr. MILLIMAN. Well now, New Zealand has it.

I think the approach to this whole thing has been wrong all these years. I think it is still wrong.

I think we ought to look at the consumptive rather than the productive end of it. Everybody in this Nation is a consumer. If you look at the consumptive side of it—it does not do any good to continue raising wages when the price costs go up and then they are offset.

Mr. RICH. In other words, you believe we ought to encourage production and consumption rather than to pay people for not raising crops? In other words, you think we ought to increase and raise all the produce that all our people can have?

Mr. MILLIMAN. Certainly.

Mr. RICH. So do I.

Mr. MILLIMAN. I have advocated this all my life, that no man, I do not care what walk of life he is in—every man is entitled to a fair return on his investment, whether that is labor or money. Everybody is entitled to that.

And if we do not have that kind of system, sooner or later we are going to find ourselves in a bad position.

Now, certainly I hold no brief for Russia or Germany, and we all know the whole history of the causes of the war that pretty nearly

wrecked civilization. It was the lack of employment for the people. They became hungry and they would listen to anyone who would come and talk to them and promise them anything on earth, and then they would follow that kind of leadership for the whole ball of wax, and we know how it ended and it pretty nearly ended us.

Now, we ought to take a page from history. We want to see this country continue on a free-enterprise basis. That certainly is fundamental. But there certainly must be something done here to provide work for the people.

Now, it is all right to say we do not want to destroy initiative. Certainly we do not want to destroy initiative. We destroy democracy when we destroy initiative, in my estimation.

But when a man cannot find a job or money to go into business, what are we going to do, let him starve?

You have got to do something about that kind of a situation.

Now, we think this bill here, if it is enacted, would set up a system where we would have facilities for finding out what is wrong in this country? Why do we have such a situation?

Take into consideration that we are the most prosperous country there is on the face of God's earth, we have the potential, the possibilities. What is wrong that we cannot find employment for people?

Why can the small businessman not continue in business and get a fair profit from this business?

We all know there is something wrong and we have talked about it all these years, but we have never done anything about it.

Mr. RICH. Were you ever in business?

Mr. MILLIMAN. No, sir; I never was in business.

Mr. RICH. I am of the opinion then that you never approved of killing pigs or plowing down the cotton, or burning wheat.

Mr. MILLIMAN. No, sir. Because the whole problem is consumption rather than production.

Mr. RICH. That is it. Now, do you feel that there is any other country that has a system that you know of that is better than ours?

Mr. MILLIMAN. I would not say that I know of any country that is better than ours. I think Norway has a system in which they apparently have got along pretty well.

Mr. RICH. What do they pay in Norway?

Mr. MILLIMAN. I cannot tell you what they pay. I listened to a man this morning telling about Europe. I know they get less wages over there. And I know what the conditions are in this country.

Mr. RICH. What about New Zealand, do you know the wage scale?

Mr. MILLIMAN. No.

Mr. RICH. Then how do you know they have a better system?

Mr. MILLIMAN. I did not say a better system, I said they had a system of handling their labor and industrial problems that seems to have worked out over there, from what little information I have.

The CHAIRMAN. Thank you, Mr. Milliman. The committee will adjourn for the roll call.

(Whereupon, the committee adjourned.)

FULL EMPLOYMENT ACT OF 1945

FRIDAY, OCTOBER 19, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES IN
THE EXECUTIVE DEPARTMENT,
Washington, D. C.

The committee met at 10 a. m., Hon. Carter Manasco (chairman) presiding.

The CHAIRMAN. The committee will come to order.

We have with us this morning Mr. Ira Mosher, president of the National Association of Manufacturers. Mr. Mosher, you have a prepared statement you would like to present?

Mr. MOSHER. Yes.

The CHAIRMAN. We will be glad to hear you.

STATEMENT OF IRA MOSHER, PRESIDENT OF THE NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. MOSHER. Mr. Chairman, the National Association of Manufacturers, of which I am president, has 14,000 members. About two-thirds of these members have less than 500 employees and so are properly classed as "small business." My own company, I may say, falls in that category.

There is no organization in the Nation which is more seriously or more sympathetically or more selfishly interested than we are in the maintenance of "full employment." We cannot prosper unless people have jobs and can buy our goods. The very economic existence of all of our members depends upon this being a Nation of "full employment."

In thus using the term "full employment" I mean neither more nor less than a general state of prosperity and economic well-being for our country as a whole. I recognize that the term can be interpreted to mean that everyone must have a job at all times. And I am thoroughly familiar with the argument, and that the fact, that such a situation can prevail only under a system of totalitarianism or under an economic system which is so poor that everyone, men and women, young and old, has to work today in order to eat tonight. But that is not what the American public understands by this term, and I am sure that is not what the sponsors of H. R. 2202 have in mind. I should prefer, therefore, Mr. Chairman, with your permission, not to get into terminological arguments on the meaning of "full employment," but rather just assume that the phrase has no hidden implications and merely summarizes the legitimate and attainable economic aspirations of a free people.

In saying that "full employment" so conceived is a legitimate and attainable economic aspiration, I am not dealing in mere hopes. There has been much discussion in recent weeks, much of it in connection with this bill, to the effect that our system of individual enterprise has never provided more than temporary full employment. It may interest the committee, therefore, if I take just a moment to summarize the record on this. We have good data on employment for this country going back to 1900. It has been compiled by the National Industrial Conference Board. If we take the 30-year period from 1900 to 1930, and allow for so-called frictional unemployment of 3 percent, here is what we find:

1. For these 30 years the average employment was four-tenths of 1 percent above "full employment." If we eliminate the 3 war years, 1917-19, when there was overemployment, the average for this entire 30-year period was only one-half of 1 percent below "full employment."

2. During the entire 30 years we dropped below "full employment" by more than 4 percent in only 1 year—1921.

3. During the 30 years we fell more than 3 percent below "full employment" in only 3 years—1908, 1921, and 1922.

4. During the 30 years we never had more than 2 percent below "full employment" for more than 2 consecutive years, and there were only three times when this occurred—1900-1901, 1914-15, and 1921-22.

Those are the facts on employment as revealed by the record. Bear in mind that it is a record which includes the First World War, with its postwar inflation and deflation, and it also includes the so-called "money panic" of 1907, and the quite substantial business set-back of 1914-15.

The record from 1931 up to the Second World War, needless to say, shows quite a different picture. During this period we got within 10 percent of "full employment" in only 1 year (1937, when we fell short by 9.2 percent) and this was not as good as the worst year in the preceding three decades. Considering the strenuous efforts made by Government during those years to create employment, that is a rather striking contrast. Superficially it would appear to indicate that the way to get full employment is for Government to follow a policy of hands-off. But those of us in NAM are firmly convinced that such a hands-off policy on the part of Government is no longer adequate. On the contrary we believe that positive action by Government is essential. It is for this reason that we are happy to have this opportunity to discuss H. R. 2202.

Gentlemen, there are only three economic developments which can bring a period of prosperity to a halt and throw our economy into a depression with mass unemployment, and what is equally important is the fact that only positive action by Government can prevent these developments. For some of us that has been a hard principle to accept but finally we have become convinced of its accuracy.

These three developments which can be so ruinous and upon which positive Government action is imperative, are:

1. Mismanagement of the money and credit system, including the public debt, in ways which convert prosperity into an inflationary boom, which must inevitably result in a collapse of prices, production, and employment.

2. Granting or perpetuating special privileges which prevent the flow of goods and services at reasonable prices, thereby creating a lack of balance between various groups or various sections of the country.

3. Prevention of an adequate flow of private capital into productive, job-making activities.

I recognize, of course, Mr. Chairman, that it is not the function of your committee to consider detailed legislation in these various fields. Nevertheless, since your concern, I feel sure, is not just H. R. 2202 but the whole problem of legislation to assure full employment, and since we are convinced that positive Government action in these various fields is an inseparable part of that problem, I should like in as few words as possible to summarize our suggestions.

In the field of money and banking and the management of the public debt, it is our belief that at present there is no one man, or group of men, who can sit down and spell out in detail just what should be done. There is fairly general agreement among authorities in this field that we should have a stable, clearly defined monetary unit; that there should be definite limits upon the credit expansion powers of commercial banks; that interest rates be permitted to reflect the degree of strain to which our financial system is being subjected, and that it is imperative that we get the public debt into the hands of those who will hold it as a permanent investment until the bonds mature and are paid off. But such points as these, although of the utmost importance, do not in themselves constitute a program. We recommend, therefore, that Congress create a special commission of experts to study this problem and report to Congress on what specific legislative changes are needed and what policies should be followed by the banking authorities to assure that our money and banking system and the handling of the public debt will not again lead us into a boom and then the inevitable collapse.

The importance of this suggestion will be clear, gentlemen, if you recall that mismanagement of money and credit has unquestionably been the most important single factor in causing booms and depressions over the past hundred years, and beyond a doubt the failure to prevent monetary and credit excesses contributed substantially to the boom of the 1920's and the magnitude and severity of the collapse in 1929-30. We must have proper Government action if we are to prevent a repetition of that debacle.

On the problem of special privileges there is no need for a special commission to determine what should be done. We cannot have full employment and lasting prosperity in this country on the basis of balancing the special favors given one group by equal favors to some other group. We must have as our national policy the elimination of all special favors. That, we are convinced, is fundamental. Accordingly, we recommend—

1. That all monopolistic conspiracies, whether by management, labor, or any other element in our economy, be eliminated promptly.

This will require:

(a) Vigorous and impartial enforcement of the antitrust laws no matter how important economically or politically he may be who thus gets hit.

(b) Legislation compelling the recording in the United States Patent Office of all patent agreements, both existing and future, and both

domestic and international, except those covering simple nonexclusive licenses and exchange of licenses.

(c) Continued vigorous efforts by the Federal Government, along the lines recently announced, to enter into agreements with other nations which will prevent the operation of all cartels which attempt to control production, distribution, or prices.

2. That Congress immediately initiate a program for the systematic elimination from the economic system of all subsidies except those necessary for military security as rapidly as possible without unduly disrupting our domestic trade and employment.

(a) That our over-all national policy should be one of gradual reduction of protective tariff duties, the reductions in each case to be continued to that point which will maximize production and consumption under competitive conditions in the United States. The rate of reduction should be such that it does not unduly disrupt our domestic trade and employment. We should continue to regard the tariff as a proper means for protecting American industry, American workers, and American agriculture against "dumping" of foreign products in our markets, and all other forms of unfair competition.

(b) On agriculture we urge that farm leaders formulate and recommend to the Nation a sound agricultural program which will assure that farming will be restored as a free, self-supporting, profitable division of our economic system.

3. Much of the existing labor legislation is based on the principle of special privileges for labor. In recent years, these laws and their administration have created a situation which has operated against the public interest and has, in specific respects, retarded production and curtailed jobs. Much of this situation has resulted from the fact that the statutes and regulations dealing with labor relations have in the past few years become unworkable. They need revision to fit the conditions we now face in the reconversion and postwar periods, revision which will eliminate the special privileges granted labor while, at the same time, protecting labor's rights.

We therefore recommend legislation to correct existing labor laws to provide specific responsibilities and obligations for labor as well as management; and to protect individuals in their right to work; to regulate union practices which restrict efficiency and maximum production or limit job opportunities; to permit management the same free choice in selecting its representatives (foreman and higher levels of management) as is accorded labor; to require that labor unions, as well as management, abide by their collective bargaining contract.

On the problem of assuring an adequate flow of private capital into productive job-making activities our principal recommendations have to do with taxation. Since that subject currently is before Congress it would be unfitting for me to use these hearings as a platform from which to present a detailed tax program. I think it is fitting, nonetheless, for me to say that in the interest of assuring continuing full employment we are convinced—

First, that as rapidly as possible the income-tax rate should be reduced to, and held at a level which will not needlessly discourage individual endeavor, while at the same time recognizing that as a matter of public policy it is desirable to bring the largest practical proportion of income earners under the individual income tax.

Second, that public welfare would be served by the elimination of burdensome excise taxes and all so-called indirect taxes except those necessary to provide a reasonably stable base for the tax system as a whole, such as may be obtained by taxes on such items as tobacco and alcohol.

Third, that taxes on capital gains ultimately should be eliminated.

Fourth, that as rapidly as possible taxes on corporate business profits should be reduced, and then held, below the point at which investment is discouraged, and that some fair method should be devised for eliminating the double taxation which now exists on corporate income.

And, finally, we are convinced that, even allowing for the broadening of Federal Government activities before the war, for an adequate postwar defense program, for liberal aid to veterans, and for the increased carrying charges on the Federal debt, that a Federal budget, exclusive of debt retirement, of not more than \$15,000,000,000 should be our goal when war expenditures are ended.

Such, in extremely brief form, is our thinking on the proper approach to the problem of assuring continuing full employment. As I have indicated earlier we agree with the principle that—

all Americans able to work and seeking work have the right to useful, remunerative, regular, and full-time employment—

if the word "right" is understood to mean a moral right, not a legal right enforceable in the courts. To eliminate confusion on this question we would prefer the principle to be stated that—

all Americans able to work and seeking work are entitled to an opportunity for useful, remunerative, regular, and full-time employment, including self-employment in agriculture, commerce, industry, or the professions.

Since we agree wholeheartedly with this principle, the basic issue, it seems to us, is simply a question of the means for making the principle into a reality. The first major point we should like to make on this is that NAM sees no objection in theory to the preparation of a "national production and employment budget," as provided for in H. R. 2202, but it does not believe that such a budget in practice can be sufficiently accurate to provide either a timely or reliable guide for governmental policies.

That budget is based upon the assumption that there is some definite and determinable relation between gross national product and employment. Now, gentlemen, the facts show beyond a shadow of doubt that this assumption is false. Clearly, therefore, the interests of full employment would not be served by passage of a bill containing such a mechanistic approach.

With your permission, I would like to refer to another chart in which we deal with the mechanistic approach to the problem of trying to forecast how much the total gross net production might be by looking at it some 18 months ahead. So, we took the figure of 1924 to 1944 and we took the national gross net production figure and divided it into the number of workers to show what the results might be if you look ahead over the years. For the moment we will overlook the first 4 years and I will come back to them later.

You will see from this chart [indicating] that it took, in 1925, about \$6,000 or more to provide one job; in 1926 it took \$4,000. In this year of 1928 it jumped to a total of \$10,000.

Then we have the figures around in here [indicating] of \$3,000, \$4,000, \$5,000, then around \$4,600, \$4,700.

Then we have figures totaling \$5,000 and \$4,000; some less. Then we approach this period [indicating] where we jump in 1940 to \$6,000; and we jump in 1941 to the figure of \$9,500; in 1942 it jumped to \$10,000, and then we get to the preposterous figure of \$121,000 in the year 1943.

Now let us go back and look at the other 4 years. In those 4 years civilian employment actually went down when the gross net production went up. In this year [indicating] civilian employment actually went up, yet the gross net production went down. In this year, 1944, civilian employment went down and gross production went up—that is right in the midst of the war year.

If you will look at those figures you will see that they vary from a low of \$3,000 to \$5,000 and \$6,000, and from here on [indicating] they went up to \$10,000. And if you use the low for 1,000,000 jobs of \$3,000, you get a total of \$3,000,000,000, and if you go over to the next year—and it could be carried on ad infinitum—and use the figure of \$6,000, the cost would be \$6,000,000,000. I am talking about a million jobs.

The CHAIRMAN. That is in private employment?

Mr. MOSHER. That is in private employment; yes. And if you talk about the 2,000,000 workers, only a small percent of the people in employment, you will get a cost of \$6,000,000,000, or any other figure that you want to use.

The CHAIRMAN. You are going to put those charts in the record?

Mr. MOSHER. Yes. So, to repeat, the interest of full employment would not be served by passage of a bill containing such a mechanical approach.

The second major point we should like to ask you to consider is what the character of the bill would be if this mechanistic approach is removed and it is merely required that the President submit a national budget setting forth, first—

the number of employment opportunities * * * the production of goods and services * * * and the investment and expenditure needed—

for full employment; second, the—

current and foreseeable trends—

in each of these fields; and, finally—

a general program * * * for assuring continuing full employment, together with such recommendations for legislation as he may deem necessary.

The substitution of such a generalized approach for the specific mechanistic procedure now contained in H. R. 2202 quite obviously would represent a fundamental change in the bill. It would have the effect, at least insofar as the national budget is concerned, of completely eliminating the basic formula contained in H. R. 2202 by which full employment is to be assured. It is worth considering, therefore, whether, if such a change was made, we would have anything left which would make a direct contribution to assuring full employment.

The answer to this question consists of two parts. The first relates to the practicality of having the President in January of each year make a specific and more or less detailed forecast of business conditions for the 12 months starting the following July. Now we recognize, of

course, that it not only is desirable but is imperative, that the President, the various departments, and the Congress look ahead if we are to have sound governmental policies. We also recognize that the more complete the information is, and the greater the cooperation between the executive and legislative branches of Government, the better off the country will be.

But this type of cooperation and planning ahead is vastly different from requiring the President to make a specific and detailed forecast of prices, production, employment, investment, wages, private and public expenditures, and so forth, for 18 months in advance. We are strongly in favor of the President and Congress giving full consideration to "current and foreseeable trends" in the determination of their policies, and to their collecting the best possible data to help them do this, but it seems to us that the making of a detailed business forecast is a responsibility which should not be imposed upon the Chief Executive.

The plain fact is, gentlemen, that making correct over-all business forecasts for 18 months in advance simply is not possible. And there is no means by which it can be made possible. I say this dogmatically, and without reservations, because on the basis of both experience and logic I know it to be true. And it is no answer to say that our business statistics are getting better. Of course they are getting better, and we are learning more and more about using them. But business statistics, no matter how good they are or how complete they may be, are still nothing but a historical record. They tell the past, but only the past. They cannot tell the future. Not only can they not tell it for 18 months in advance but they cannot tell it for 18 weeks or 18 days in advance. This is so obvious that it scarcely should be necessary to offer positive proof, but if evidence is needed consider whether anyone today could have any confidence in any estimate he might make on the number of workers who will be on strike 3 weeks or 3 months hence.

Such criticism of forecasting may appear strange coming from a businessman, because business lives by estimating the future. But there are great differences between the type of forecasting business uses and the type called for from the President in such a national budget. The type of forecasting business is called upon to do is comparatively simple because it covers a relatively narrow field. Further, when business finds its forecast is wrong it ordinarily can quickly adjust to the changed outlook. In contrast, the national budget forecast of the President must be all inclusive, which adds immeasurably to its difficulties, and if an error is made the Federal Government, because of its size and structure, cannot readily adjust its program to the changed outlook. Frequent revisions of the forecasts, therefore, which are what save business, offer almost no protection to Government policies against the inevitable errors of a Presidential national budget forecast.

The other part of the answer to the question of whether having the President submit a national budget would contribute to the assurance of full employment, is to be found in the fact that anything he says is almost certain to aggravate instability. If he says that the outlook is unfavorable, and in consequence it is necessary for Government to start a spending program, business from one end of the country to the other will start to retrench. It may be granted that for businessmen

to react in this manner may appear foolish to some persons. To those who believe in compensatory spending by Government it may appear logical to expect businessmen to go right ahead when Government announces a spending program to take up an anticipated slack. But I can assure you that is not what would happen. Rightly or wrongly businessmen do not believe in the effectiveness of compensatory spending by Government, and if the President announces that the outlook is so cloudy that such spending must be started, there is no question that business will start running for the storm cellar.

On the other side if the President announces that the outlook is favorable, with no clouds on the horizon, it almost certainly will tend to make businessmen more confident. This means that such a statement will serve as an impetus for further expansion and in consequence will tend to lead us into a "boom," which sooner or later will end in a "bust."

To repeat, the Government can perform a real service by collecting complete and accurate statistics on current trends, and the President can make a major contribution to the welfare of the country by giving an annual review on the state of the Union, but that is vastly different from having either Government or the President make official business forecasts of what is going to happen from 6 to 18 months in advance. The latter is certain to be inaccurate, and instead of contributing to continuous full employment, it will tend to create economic instability and unemployment.

The third major point we should like to make on H. R. 2202 is in connection with the provision in section 2, subsection (e), which reads:

To the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment.

Gentlemen, that reflects a defeatist point of view about the future of our Nation which I am sure none of you accept. One might say "to the extent continuing full employment is not otherwise achieved," which would mean that through unwise policies we fall short of our goal, but to say "cannot" otherwise be achieved, means acceptance of the thesis that in the future, no matter what we do, there will be times when Government must spend and invest in order to make jobs. In other words, this section embodies into law acceptance of the contention that we have become a "mature economy"—the contention that from here on it will be only through compensatory spending by Government that we can hope to maintain full employment. That is a thesis which NAM rejects in toto, and if evidence is needed to support our position we would cite the recent study on this subject by George Terborgh which was published in book form under the title "The Bogey of Economic Maturity."

At the same time, NAM recognizes that, men being what they are, we almost certainly will continue to have human shortcomings in the governmental and managerial operation of our private enterprise system. For this reason we would consider it unwise for Congress to pass a law saying that under no conditions must there be a Federal deficit. We are firm believers in a balanced Budget, and think that every effort should be made, "consistent with the needs and obliga-

tions of the Federal Government and other essential considerations of national policy," to keep the Budget constantly in balance. But it seems to us that if we are to be realistic we must recognize that everything does not always work out as planned, and in consequence it is wise policy to leave the way open for necessary governmental action. For this reason NAM has endorsed the principle of Federal aid to States in financing of mass unemployment, should it occur.

But this is vastly different from providing by law that "to the extent that continuing full employment cannot otherwise be achieved" the Federal Government must offset the prospective "deficiency" by a spending program. That is a requirement calling for spending on the basis of forecast, and is bottomed on the assumption that without such spending there cannot be full employment. Our contention, in contrast, is that if correct governmental and managerial policies are followed there will be full employment, and Government spending never will be needed unless it is to offset the effects of errors in these policies.

The difference between these two points of view is fundamental. For this reason we do not think it would be adequate merely to prevent deficit spending by modifying this provision in H. R. 2202 by simply requiring that any suggested spending program be accompanied by a recommendation for taxes which would liquidate the spending and prevent any net increase in the public debt over a reasonable period of time or within a stipulated number of years. We are in sympathy with the obvious objective of such a change, but it always can be maintained that "today's deficits are tomorrow's surpluses," so such a provision in practice is necessarily more or less meaningless. In other words, our objection to this section does not rest alone upon the fact that it anticipates deficit spending. The fundamental basis of our objection to this section is that it assumes that Government spending is necessary to assure full employment—that there is no means short of Government spending which can provide full employment.

As we analyze H. R. 2202, therefore, Mr. Chairman, it appears to us, first, that the mechanistic procedure based upon gross national product, as now contained in the bill, is completely unworkable because it is based upon an assumption which official figures prove to be false; second, that the shortcomings of this mechanistic procedure cannot be corrected by the substitution of a provision requiring the President to submit a national budget consisting of a business forecast for the next 18 months and a general program to assure full employment, because such a forecast, even if it were accurate, would enhance, not decrease, business and employment in stability; third, that there is no justification for the assumption, as now contained in the bill, that we must have a Government spending program to prevent the development of unemployment; and, finally, that this provision for spending cannot be corrected by requiring that any such expenditure be covered by taxes over a reasonable period of time, because it is not just the deficit aspect of such spending which is wrong, but the spending itself.

We are unwilling, however, to rest our case merely upon such negative comments. As manufacturers we not only are in favor of full employment, but are determined to do everything within our power to assure that this shall be a Nation of full employment. If H. R.

2202 is effectively corrected in line with the above objections there would be, of course, no serious exception to it. But, likewise, there would be no reason for ardent support, because in that case it would be a measure which fundamentally simply declares that—

the Federal Government has the responsibility * * * to assure continuing full employment—

and does nothing to bring about the realization of that goal.

Right at this point for the record, Mr. Chairman, I want to read from article II of the Constitution, which provides that the President—

from time to time give to the Congress information of the State of the Union and recommend to the Congress such matters as he shall judge necessary and expedient.

That is from article II, section 3, of the Constitution.

The CHAIRMAN. Is it not true that everything that can be done under this bill can be done now by the President under the Constitution?

Mr. MOSHER. In my opinion; yes.

The CHAIRMAN. He already has the authority to submit budgets?

Mr. MOSHER. Yes.

The CHAIRMAN. The only difference between this bill and the authority under the Constitution is that it provides for full employment by Federal spending.

Mr. MOSHER. Going back to your first point: The bill, that is, H. R. 2202, would direct the preparation of so-called budgets. I do not think we could clearly contend that now he has to do so under existing law, but that he may do so.

The CHAIRMAN. That he may.

Mr. MOSHER. He may. Now, coming to your second point—

The CHAIRMAN. There is no way by which we can force the President to send up a special budget.

Mr. MOSHER. A budget is a budget, and it is whatever anybody wants to make it, as you and I know statistically from long years of experience.

Now, coming to the spending-program part of the bill; that is a question that I think is one of interpretation of what is meant behind the bill. It is my private opinion that the bill is nothing more nor less than a plain Government-spending bill.

Now, with your permission, I would like to conclude that prepared statement.

We frankly do not want to settle for that type of Government action on the problem of assuring continuous full employment. In a word, we are convinced that the welfare of the country would not be served by the enactment of H. R. 2202 in its present form, and we are equally convinced that the cause of full employment would not be adequately served simply by the enactment of good intentions.

Mr. Chairman, I am deeply grateful to you and your colleagues for permitting me to present our views on this basic problem. As industrial managers we feel we made a major contribution in war toward keeping this a nation of freemen; we sincerely hope to make at least an equal contribution to assuring that in peace we shall remain a nation of freemen.

We urge you and your colleagues, Mr. Chairman, to give the Ameri-

can public more than just a slogan on full employment. Positive action by Congress is needed—in fact, is imperative if continuing full employment is again to become a reality for the American people.

(The charts above referred to appear at the conclusion of Mr. Mosher's statement.)

The CHAIRMAN. Mr. Mosher, in the first part of your statement you refer to small business and big business. What yardstick do you use in making the dividing line between big business and small business?

Mr. MOSHER. I am not attempting to duck your question, but personally I have not found any way to divide small business from big business. I am using here a definition that is more or less in common use—500 people or less is in the small-business category, but I can cite you instances on the other side.

The CHAIRMAN. If a small business owned by one individual employs 500 people, would it not be fair to assume that if the American Telephone & Telegraph Co., which has a million stockholders, did not have more than 5 billion in assets, it would also be considered a small business, although a million people own it?

Mr. MOSHER. If you took that technical definition. I do not know offhand what the pay roll of the Telegraph Co. is.

The CHAIRMAN. The ordinary old-line big business, when you look back into the record, you usually find that big business is owned by people who have saved a few dollars, by a number of stockholders, and I do not see how you are going to draw the dividing line between a corporation that is wholly owned by a few people and employs 500 people and some other big company owned by thousands of stockholders.

Mr. MOSHER. There are several points in that to be taken into consideration. Generally, Mr. Chairman, the ordinary business is a collection of small businesses.

The CHAIRMAN. That is true.

Mr. MOSHER. That is generally true; it is not true in certain mass-production items but it is generally true.

The CHAIRMAN. Reference is often made to the war period as the period that gave full employment. Is it fair to use the war period as the period that gave full employment when we all know that we had some 12,000,000 men and women in the armed forces, out of production of peacetime goods, and we also had between 10 and 12 million people manufacturing weapons and machinery of war, and they were not consumer goods. So you might say that in the war period we had about 20,000,000 people, maybe 22,000,000 people who were not engaged in the production of civilian goods, so it is not a fair statement to say that we had full employment in the war.

Mr. MOSHER. No. Of course, the figures are pretty well mixed up and it is impossible, I would say it was impossible to get an adequate idea of the correct figures because we had millions of youngsters, just boys and girls, who otherwise would have been in school; and married women and a great many old people. We just employed anyone we could get our hands on, if they could wiggle their fingers.

The CHAIRMAN. Is it not also true that if we wanted to continue to borrow money from the future generations that we could continue to build Liberty ships and B-29 bombers and get full employment?

Mr. MOSHER. We could do just as we have done in the past, but we have got to come to the time when we can find a way to balance our operations.

The CHAIRMAN. Do you not think that the best way to encourage private enterprise to give jobs to more people would be for us to have a sound debt-retirement program?

Mr. MOSHER. There is no question but that from the money end of the picture, there is no question in my opinion that a continued unbalanced Budget is one of the very worst things we can have if we want to have confidence in the future.

The CHAIRMAN. Some people make the statement that if we can have full employment during time of war we could have full employment during peacetime. But it is unfair to use the war period at all, because during the war we were building bombers and Liberty ships and various things essential for the war.

Mr. MOSHER. Yes. But we had overemployment in the war rather than underemployment. This first chart that I referred to did not come up to the current war period, but if you go back to the First World War you can see that the overemployment took place here [indicating], and in this war, at this point [indicating].

The CHAIRMAN. The only way that we could say we had full employment in wartime is to say that it is right to borrow money from people that future generations will have to pay back in order to have full employment, but that does not provide us with a market for the goods that is manufactured for peacetime.

Mr. MOSHER. No.

The CHAIRMAN. In peacetime we should develop markets and have people engaged in the manufacture of peacetime goods.

Mr. MOSHER. You will find that the figures here for the first 30 years, as indicated on this chart, are very interesting. They were a terrible surprise to me when I first saw them. I frankly confess that I had thought business had not done a too good job, but when I look at these 30 years' figures I think they did pretty well.

The CHAIRMAN. Do you think that any President or any human being in 1940, looking 18 months ahead could have made an accurate forecast of how many people would be employed in December or January of 1941?

Mr. MOSHER. No.

The CHAIRMAN. Or in 1942?

Mr. MOSHER. No; I do not think that any human or any group of human beings have the capacity to make any accurate estimate.

The CHAIRMAN. There are so many factors to be taken into consideration in the next year. For instance, in agriculture, you have to take into consideration the weather, the seasons, and so forth. Do you think it would be possible for anyone to forecast what the wheat crop is going to be? Or cotton?

Mr. MOSHER. I do not see how it could be possibly done with any degree of accuracy; I will say I do not see how it could be done at all; certainly not with any degree of accuracy.

The CHAIRMAN. If we undertake to establish a budget for people to have jobs at a decent living wage we run into another problem. We have had some figures submitted showing \$3,075 as a decent wage for a family of four, and we have had some figures indicating that

there may be 8,000,000 unemployed next year, which would require, without taking into consideration administrative expenses, \$24,000,000,000 of Federal expenditures to give full employment to 8,000,000 people. Do you think that the Federal Treasury can afford to spend \$24,000,000,000 next year for unemployment over and above its normal expenditures and obligations to the disabled veterans and dependent families?

Mr. MOSHER. I certainly do not think so. I do not think we can afford to spend any billions, and certainly not until we get our normal Budget straightened out. And in that connection, Mr. Chairman, I submitted some charts to the committee over in the Senate. I do not know whether you have seen those charts or not, but they are available to you.

The CHAIRMAN. Yes; they are available, and I have seen them.

Mr. MOSHER. They show the errors in the estimates of the Federal expenditures as estimated by the Department.

The CHAIRMAN. I have those here.

Mr. MOSHER. To the effect that there would be an error of \$525,000,000,000 over a period of some 20 years, and that is the type of estimates that we are up against, and I blame no human being; I am just simply saying that it cannot be done.

The CHAIRMAN. You have a copy of H. R. 2202 before you, Mr. Mosher, and you will note in section 3, on page 5, this language:

On page 5, in section 3, starting on line 3, it reads:

When there is a prospective deficiency in the National Budget for any fiscal year or other period, the President shall set forth in such Budget a general program for encouraging such increased non-Federal investment and expenditure, particularly investment and expenditure which will promote increased employment opportunities by private enterprise, as will prevent such deficiency to the greatest possible extent. The President shall also include in such Budget such recommendations for legislation relating to such program as he may deem necessary or desirable. Such program may include, but need not be limited to, current and projected Federal policies and activities with reference to banking and currency, monopoly and competition, wages and working conditions, foreign trade and investment, agriculture, taxation, social security, the development of natural resources, and such other matters as may directly or indirectly affect the level of non-Federal investment and expenditure.

Now the language I have just read, would it not be necessary to build up a staff of perhaps three or four million employees, because we would have to have people in every foreign country to make studies of what purchases those foreign countries would like to make, also get statistics as to how much money we might be going to send over there to build factories; because in building factories in foreign countries we would be putting them in competition with our industry in this country, and that would naturally reduce our employment. Do you think that is a fair statement?

Mr. MOSHER. I do not know whether it will take 3,000,000, 4,000,000, or 1,000,000, but it will take a huge staff.

The CHAIRMAN. It should not be done by guesswork. If it is to be done, it should not be done by guesswork.

Mr. MOSHER. I do not attempt to hazard a guess on that. I think it would be a guess as to any statistics you could accumulate by a group on this sort of an assignment. We do accumulate a lot of statistics in business and I think necessarily so, in order to try to get what will happen in the future, so an accumulation of statistics does become

necessary along reasonable lines. But to accumulate statistics of this type, frankly I do not know what one would do with them after you got them; because, I think most statisticians would agree that when you start to accumulate some figures, you start with some definite objective and you head up the figures to prove or disprove the objective, and when you get a maze of figures there is no answer. I would not want to do it.

The CHAIRMAN. I think some of the figures submitted in various committees by the OPA, for example, proved that prices were almost down to nothing. You can take charts and graphs and prove anything. Isn't that true?

Mr. MOSHER. You can prove pretty near anything.

The CHAIRMAN. Well, now, continuing on page 8, line 4:

The President shall transmit to the several departments and establishments such preliminary estimates and other information as will enable them to prepare such plans and programs that may be needed during the ensuing or subsequent fiscal years to help achieve a full employment volume of production.

Don't you think it would take quite a corps of Federal employees to find out how much money the American public is intending to invest next year? Wouldn't it take an enormous staff to try to accumulate such statistics?

Mr. MOSHER. As I said before, it would take an enormous number to try to accumulate such statistics, and after you get them they would not be any good. It just cannot be done.

The CHAIRMAN. You tell me right now that you have a plan for the next fiscal year, beginning next July, but if something should happen of which you have no knowledge now, that would cause you to change your plan.

Mr. MOSHER. You are giving me a wonderful opportunity. There are certain activities here which make it impossible for us to know what we will be doing next July.

The CHAIRMAN. Exactly. Something may occur even on the 25th of June that will prevent you from starting your program the 1st of July.

Mr. MOSHER. If I may make a statement off the record——

The CHAIRMAN. Off the record.

(Discussion off the record.)

The CHAIRMAN. On the record.

Mr. COCHRAN. Right on that question you asked, if business was assured that the national income was going to increase by reason of some Federal expenditures, and as a result of that masses of people were going to be able to buy more, do you mean to tell me that business would not expand to meet the additional purchases?

Mr. MOSHER. I cannot follow you in your argument, sir, as you bring it up. I do not see how the expenditure of the Federal Government would increase the national income.

Mr. COCHRAN (interposing). You said that business would never expand.

Mr. MOSHER. I do not see how putting Government funds in the hands of people creates additional national income, because if you want to carry that to its logical conclusion, we might as well all stop working and have the Government give us money and then you would have a huge purchasing power.

Mr. COCHRAN. No. For example, take me as a clothing manufac-

turer and I am manufacturing clothes which I sell to distributors in the retail trade.

Mr. MOSHER. Yes, sir.

Mr. COCHRAN. I am only going to make a sufficient amount to supply my trade.

Mr. MOSHER. Yes.

Mr. COCHRAN. Now, I find that there is going to be more money in the hands of the people because there are going to be more people working than were working 6 months previously. Do you mean to tell me that I would not increase the number of suits that I manufactured in order to supply the demand which would necessarily follow as to people who have been unemployed and had secured employment and were able to purchase suits?

Mr. MOSHER. Let us take your question and analyze it. You are asking me if you and I as individual manufacturers—I will include myself with you in a group—see a block of money coming into the market from the Government; you are asking me if we would not increase our business to get our share of that money?

Mr. COCHRAN. That is right.

Mr. MOSHER. Now, let me answer that probably by saying "Yes," but let me continue because I am not satisfied to stop there.

Mr. COCHRAN. You admit it, then?

Mr. MOSHER. I will not say "Yes" unless you permit me to complete my answer, because that is not the fair proposition. That is not what we are talking about. You are looking at it from an individual standpoint, and as long as these other gentlemen who are not in the manufacturing business and are willing to be taxed so that you and I can get our share in our respective business, as long as they stand for it you can make more clothing. But if we come back to this bill and take business as a whole, it just will not work, because where is that money coming from? You cannot spend money year after year unless you get it out of the people, and if you take it out of one pot and put it in another pot.

Mr. COCHRAN. You might take it out of one pot, say those in the higher brackets, where it would not be spent anyway, but be put away, invested. The great amount of the money would come from that source.

Mr. MOSHER. I cannot agree with you even there, sir.

Mr. COCHRAN. You can see that if it becomes necessary for the Government to enter on a program, provision must first be made to collect revenue for the program which will follow.

Mr. MOSHER. I said that we are firmly behind a program that provides for the Federal Government assisting the States, if it becomes necessary. In the case of Massachusetts unemployment—now to come back to your last remark you indicated, I think, if I followed you correctly, that you thought that this money, this block of money to which I referred, could be gotten out of the higher income brackets, too, by taking it away from the high income brackets which would not spend it. I cannot agree with either one of your conclusions, because in the first place, under any system of taxation that you have had in recent years there is not anything left, and even in the higher income brackets; but going back to normal taxation and assuming that there is a big degree of surplus from the high income brackets, that money

is not put away. That money is put right into active business, active investment, and thereby creates investment. You do not create jobs by any other method than by investing money. That is the way to create jobs, and if you take away from this economy of ours the possibility of investment, you end up with no jobs at all.

Let me go back to your prior argument. I do not have the figures with me but if you took the total income of everybody in the United States who earned \$10,000 a year and over, you would not get enough to pay even the most modest Federal Budget that we can foresee. You can take it all and not the excess over the \$10,000. You haven't the income figures, have you, John?

Mr. GEBHART. No; but it would be in the neighborhood of \$5,000,-000,000—that was prewar.

Mr. MOSHER. If you took the total income of everybody who had an income of \$10,000 a year or more, the entire amount would be not more than \$5,000,000,000. Take that whole amount and what does it amount to against any present-day budget?

Mr. COCHRAN. Can you give us any assurance that the tremendous surplus in the hands of business is going to be spent for expansion?

Mr. MOSHER. I do not know there is any tremendous surplus in the hands of business.

Mr. COCHRAN. Isn't there a tremendous surplus which can be drawn on by business at the present time?

Mr. MOSHER. If there is I do not know where it is.

Mr. COCHRAN. What about the provisions of the tax law which enable them to recapture?

Mr. MOSHER. Well, where is the surplus in my business today? In my own business we have a surplus on our books of twice the capital. What is it in? Plant, machinery, merchandise receivable. We have not any cash but are borrowing some today.

The CHAIRMAN. Mr. Mosher, on page 5, at the bottom of the page in line 25, it reads:

to provide a full employment volume of production, the President shall transmit a general program for such Federal investment and expenditure as will be sufficient to bring the aggregate volume of investment and expenditure by private business, consumers, State and local governments, and the Federal Government, up to the level required to assure a full employment volume of production.

Would it be your interpretation that under that authority the President could recommend to Congress the curbing of investments?

Mr. MOSHER. I do not see what else could have been meant. He would announce a program which would be intended to curb business investments, expenditures, or what not. Using a general term there, he would probably provoke one of the worst depressions the country ever saw. I think that would happen.

Mr. COCHRAN. Couldn't that be laid to a far-fetched conclusion that he would destroy business by curbing expenditures?

Mr. MOSHER. We do not have to go back any more than 10 years to one of those very events.

The CHAIRMAN. On page 7, subsection (e) we have this language:

The programs referred to in subsection (b), (c), and (d) of this section shall include such measures as may be necessary to assure that monopolistic practices with respect to prices, production, or distribution, or other monopolistic practices, will not interfere with the achievement of the purposes of this Act.

(f) The National Budget shall include a report on the distribution of the

national income during the preceding fiscal year, or such longer period as the President may deem appropriate, together with an evaluation of the effect upon the distribution of the national income of the programs set forth in such Budget.

(g) The President may from time to time transmit to Congress such supplemental or revised estimates, information, programs, or legislative recommendations as he may deem necessary or desirable in connection with the National Budget.

Now, we have learned a lot the last 2 years of Executive orders. Don't you think Executive orders might be written under this section which might be a far cry from the intent of Congress in passing it?

Mr. MOSHER. Well, as I read this bill, and I have read it a number of times, and if I want to be supercritical and to question, and I mean question seriously the intent of the framers of the bill, I will have to answer your question this way.

Under the bill they can do anything they want to, complete totalitarianism, because under the bill they can do just anything.

Mr. COCHRAN. Do you mean to say under this bill the President can issue an Executive order?

Mr. MOSHER. He can recommend it.

Mr. COCHRAN. Yes, that is all he can do; and until do; and until he gets the power delegated to him by the Congress, he cannot issue any Executive order.

Mr. MOSHER. If Congress should agree with the objectives of this bill and the methods prescribed in this bill for reaching those objectives, Congress might just as well adjourn, sir, because it has to adopt the program the President presents, because if the President says, "We are going to have mass unemployment" and Congress does not pass the measure he proposes, you know the answer better than I do.

Mr. RICH. Has it not been a fact that we have had these Executive orders and Congress has followed them, whether it was good legislation or bad legislation?

Mr. MOSHER. Yes, sir; that is true; of course, under the stress of war.

Mr. COCHRAN. It was to meet a wartime situation. That is why the Executive orders were issued.

Mr. RICH. We had all kinds of orders and you took them long before we had war.

The CHAIRMAN. Mr. Mosher, if this bill becomes law, we have declared, as we are in a national emergency at all times and certain war-power statutes were left on the statute books in 1917 and 1918, then we are still in a national emergency when we pass this bill. Isn't that true?

Mr. MOSHER. Yes; one can draw that conclusion.

The CHAIRMAN. And Executive orders can be issued to carry out a lot of things.

Mr. MOSHER. I cannot answer that definitely.

Mr. HOFFMAN. That chart over here [indicating], I do not understand how you can determine that.

Mr. MOSHER. Let me see if I can explain it. We take this so-called figure of gross national profit in any one year and we will say it is \$100,000,000,000, and we say that there were 50,000,000 jobs in any given year. Then we look in the next year and we see that if the income went from \$100,000,000,000 to \$110,000,000,000 and the jobs went from 50,000,000 to 52,000,000 jobs—in other words, you have

2,000,000 more jobs and the national income went up \$10,000,000,000, or it required an additional \$5,000 per worker to take care of that additional 2,000,000 workers.

Mr. HOFFMAN. That part of it I understand, but I understood from your explanation of it that the more people who are employed, the less production you had.

Mr. MOSHER. No, sir.

Mr. HOFFMAN. This discussion may be off the record, Mr. Chairman; I just want it for my own information.

The CHAIRMAN. Off the record.

(Discussion off the record.)

The CHAIRMAN. On the record.

Mr. MOSHER. However, in a series of years as it has happened in the past 4 years we find gross products—

Mr. HOFFMAN (interposing). Do you mean the volume of manufactured articles?

Mr. MOSHER. The gross products.

Mr. HOFFMAN. Do you call it "income"?

Mr. MOSHER. The gross products figure is a figure which consists of the total national income or the income as computed by the statisticians, until it was found that the expenditures of this country exceeded; and so they took national income and added to it the amount raised from taxation, and that is something known as the gross national products figure.

Mr. HOFFMAN. You take what you call the sum total paid for services and merchandise?

Mr. MOSHER. No; the ordinary national income figure is the total amount of wage payments, profits inuring, investment earnings, and things of that sort. In other words, the cash that would arise in all of our brackets—that is the only gross income figure, but it differs in the application.

Mr. HOFFMAN. That is just a guess, isn't it?

Mr. MOSHER. That gross national income figure had to be drawn up by the National Government statisticians because it was found that the gross expenditures were so much bigger. To go back to the words I used a while ago, they concocted a new figure which was the sum total of that figure of gross national income plus the amount raised by taxation; and that came to be known as "national products figure."

Mr. HOFFMAN. Do you mean all the taxes are taken in?

Mr. MOSHER. Yes, sir.

Mr. HOFFMAN. Why add that in?

Mr. MOSHER. Don't ask me. The Government statisticians concocted the figure. Am I not right, John?

Mr. GEBHART. Yes.

Mr. MOSHER. Let me go back to my statement. In these various years I have indicated the gross national products, and whatever the figure is, employment went up.

Mr. HOFFMAN. Then you can tell how much business there was?

Mr. MOSHER. Yes; in these 4 years civilian employment actually went down while present national products went up.

Mr. HOFFMAN. What does that mean?

Mr. MOSHER. That fewer people employed produced more. That is what the figures show.

Mr. RICH. Have you figures on that for several years? Apparently if that is followed to a logical conclusion, none of us would have to work and we would get more.

Mr. MOSHER. That is what I say; the figures do not mean anything.

Mr. COCHRAN. Mr. Mosher, you said this is a planned Government-spending bill. Where do you find in the bill any authorization for appropriations?

Mr. MOSHER. The bill provides, does it not, sir, that the President, if he finds the gross national products to be insufficient to provide full employment, that he shall recommend—as I think Mr. Monasco read the exact words in here—that he shall recommend that the Federal Government shall make up the deficiency. If that isn't spending I would like to ask what is it.

Mr. COCHRAN. All right, but you know just as well as I do you cannot spend \$1 of public money unless Congress appropriates the money, not a dollar.

Mr. MOSHER. Yes, sir.

Mr. COCHRAN. So, therefore, it does not become a spending bill until Congress appropriates, first authorizes and then appropriates money.

Mr. RICH. Will the gentleman yield?

Mr. COCHRAN. Wait just a second.

Mr. RICH. I would like to ask a question.

Mr. COCHRAN. You said at the conclusion of your statement: "We sincerely hope to make at least an equal contribution to assuring that in peace we shall remain a Nation of freemen."

Mr. MOSHER. Yes, sir.

Mr. COCHRAN. Is there anything in this bill that is going to keep us from remaining a Nation of freemen?

Mr. MOSHER. I think so. I think it is all through the bill.

Mr. RICH. Mr. Chairman, may I ask a question there?

Mr. COCHRAN. I am not on the stand.

Mr. RICH. May I ask you a question?

Mr. COCHRAN. Yes.

Mr. RICH. Isn't it a fact that every time a bill to spend money has been presented and the President recommends it, during the last 15 years that you granted practically everything that he asked you for?

Mr. COCHRAN. No.

Mr. RICH. Why that question is as old as the hills. That has happened during the last 10 years and what you have been doing is humbugging and fooling the American people, and any Member of Congress who is fool enough to be fooled again, why it is ridiculous to ask a gentleman like Mr. Mosher to give a favorable reply to it.

Mr. COCHRAN. All right; do you find anything in this bill that is going to prevent private industry from bringing about full employment?

Mr. MOSHER. Why, yes, sir.

Mr. COCHRAN. What is it?

Mr. MOSHER. It is a very long and involved answer. I will see if I can reduce it to a few words. You are in the clothing business. If you saw the Government going in the clothing business, directing itself into the clothing business, what would be your outlook if you found that the Government was having a spending program which would last indefinitely in the future, which would take all you made

in taxes or otherwise; that would be your future. Those are two points and I can mention a hundred.

Mr. COCHRAN. You assume the Government is going to go in business. Let us assume we put in an amendment. If we do provide for a program that will be carried out, that the contract will be let to the lowest competitive bidders.

Mr. MOSHER. I cannot follow you, sir; I do not know what you mean.

Mr. COCHRAN. You do not? We are going to spend some money.

Mr. MOSHER. Yes.

Mr. COCHRAN. Put some people to work.

Mr. MOSHER. Yes.

Mr. COCHRAN. Instead of the Government carrying on the program, Congress appropriates the money with the provision in it to the effect that this work, whatever work it is, which is designed to give people jobs, is going to be carried on by private industry. The contract will be awarded to the lowest responsible bidder. In other words, it takes the Government out of the picture entirely, as far as doing the work is concerned. Now that is not interfering with private industry, is it?

Mr. MOSHER. Wait a minute. You are asking me another question. Let me answer your first one. Let me see if I can reduce this question to a type of language I can understand. You are saying that after the President and Congress determine that it is necessary to spend \$10,000,000,000 to give full employment, that after that \$10,000,000,000 is appropriated by Congress in the form of contracts to private industry and the lowest bidder, usual good Government practice, why that isn't putting the situation into the hands of private business. I cannot see it. Is the Government going to come along and say to me and my business, instead of making 1,000,000 products this year we want you to make 2,000,000, and they are going to give me that million. Is that the intent?

Mr. COCHRAN. Certainly not. The President asks the Congress to appropriate a certain amount of money in order that we might resume the construction of public works, insofar as rivers and harbors and flood-control projects already authorized by the Congress are concerned. Now we have already authorized the projects by the Congress but decided no work could be done during the period of the war. We also authorized the expenditure of a certain amount of money for public roads and we provided also that nothing should be done until a certain time after the national emergency ends.

Now we have already passed a bill, both Houses, providing that we shall resume our Federal grants to the States; that is, Federal aid to the States.

Mr. MOSHER. Yes, sir.

Mr. COCHRAN. For the construction of these roads.

Mr. MOSHER. Yes.

Mr. COCHRAN. But in all three instances—public roads, rivers and harbors, and flood control—not a one of those projects are handled by the Government. They are supervised by the Government, which they should be, but those contracts are let to the lowest responsible bidders.

Mr. MOSHER. Let me say, sir, if I can follow you, in answer to the previous question about putting money into private industry to make

products, which in my case is the cutlery business; in regard to public works I understood from the nature of your question that there is the expectation of this deficiency that is foreseen in the bill being made up by the expenditure of whatever is necessary for public works, and only public works.

Mr. COCHRAN. It will be made up by whatever Congress authorizes and appropriates money for, but not for the Government to go in competition with private business.

Mr. MOSHER. Whether the Government goes into competition with private industry to attain the results I think you are reading into the bill; then if I follow your meaning, it does not make any difference whether the Government does it direct or through the form of a private contract. The President will determine what should be done by private industry.

Mr. COCHRAN. Public works would not be private contracts.

Mr. MOSHER. What does it matter? The money comes out of the Treasury.

Mr. COCHRAN. I realize that the money comes out of the Federal Treasury, but we enter the picture from the standpoint of providing jobs when the contractors are going to do the work.

Mr. MOSHER. If we are going to take money out of the Federal Treasury and spend it on items which are not productive items and do not of themselves create production, they might just as well carry the theory to its logical limits and the logical end.

Mr. COCHRAN. Does not all material which goes in public works require productions?

Mr. MOSHER. Yes, sir; but who pays for it? You are going to take it out of high income taxes.

Mr. COCHRAN. I do not want the Government to do the work. Private industry will handle the job. That will let private industry go ahead and you will not have any unemployment. The Government is not coming into the picture at any time until it is determined that private industry cannot absorb the unemployed.

Mr. MOSHER. I think I answered that question once.

Mr. COCHRAN. I understand; but it is in the bill.

Mr. MOSHER. I answered that question once before. I did say after you put the question to me previously that competition of the Government and business came into my thinking. I will leave that out entirely and I will ask you as a manufacturer the same question I asked a few moments ago, that if the Government is going to spend huge sums of money year after year, where is it going to get it from? It will have to get it out of business.

Mr. COCHRAN. They can get it from the taxpayers. That is where they got it.

Mr. MOSHER. Yes; I heard you say "get it from the high-income tax," and all I ask you to do is to look at the Treasury statistics and it will prove there are not enough high-income taxes or even high incomes to pay a fraction of it.

Mr. COCHRAN. Those in the high-income brackets are more able to stand the strain than those in the lower brackets, are they not?

Mr. MOSHER. Yes, sir; but just wait a minute and do not leave me out on a limb on that. If you were to take every high income in the country, you would not get enough to meet the Federal budget, and that is based on the Department's statistics.

Mr. RICH. You will not get one-third of your budget.

Mr. MOSHER. You will only get a fraction of it.

Mr. COCHRAN. What group are you referring to?

Mr. MOSHER. Over a long period of years we have built in this country one special-privilege group after another.

Mr. COCHRAN. What groups are they?

Mr. MOSHER. The manufacturers received it for a long time.

Mr. COCHRANE. I remember when they did.

Mr. MOSHER. That has happened throughout the years. Agriculture is receiving it today in various forms. Labor is receiving it in a great many forms, to the end that we are headed to a complete jumble of special privileges.

Mr. COCHRAN. Now I can go back, Mr. Mosher, and I assume you can, too—I do not know how long you have been a member of your organization, but I can go back to the days when you were in complete control of Congress.

Mr. MOSHER. Who do you mean, sir?

Mr. RICH. Who do you mean?

Mr. COCHRAN. The Manufacturers' Association.

Mr. MOSHER. No, sir; I do not believe the Manufacturers' Association ever controlled the Congress.

Mr. COCHRAN. If you do not think it ever controlled Congress, you had better read the testimony in the Mulhall investigation.

Mr. MOSHER. I recall it.

Mr. COCHRAN. I recall it, as I was working as a secretary at that time. They came around this Capitol and gave money to employees.

Mr. MOSHER. No, sir; I do not believe it.

Mr. COCHRAN. I know because they fired some of these employees for it.

Mr. MOSHER. I do not believe the National Association of Manufacturers ever did that.

Mr. COCHRAN. They not only fired some of them——

Mr. MOSHER. As a matter of record, I do not agree; I do not think the National Association of Manufacturers ever paid a bribe or money to any Congressman.

Mr. COCHRAN. Read the Mulhall investigation.

Mr. MOSHER. I will still stand on my statement. That was a good many years ago. I question that statement and I can get the answer on the telephone.

Mr. COCHRAN. I was here when it occurred. I knew several men working here for the House at the time, who were discharged.

Mr. CHURCH. If you are going to continue that line of questioning I would insist on your using names. I would like to know what it has got to do with this bill that is now under consideration.

Mr. COCHRAN. You know the name of the Congressman who resigned, as he came from your own State.

Mr. CHURCH. We will insist on names if you insist on that line of questioning.

Mr. COCHRAN. Now I can recall the time, Mr. Mosher, when it was impossible to get any kind of legislation passed that would be beneficial to labor. Then there was an upheaval and there was a change, and by degrees those who were able to prevent the passage of any labor legislation. Later there was a change, and that change resulted

in labor getting plenty of legislation passed in its behalf. Prior to that labor was down.

You have been speaking about subsidies. You are opposed to subsidies. Now I have received a great many letters from different organizations, but I do not recall any letters you sent me opposing legislation that provided for subsidies. We had a bill yesterday providing for giving subsidies to the various States and municipalities. The total amount estimated in the bill was \$650,000,000, but in my opinion it will go far beyond that. I never heard from the Manufacturers' Association about that bill. I voted against it without hearing from the Manufacturers' Association or anyone, although I got quite a few letters from city officials in cities in my State asking me to vote for it.

MR. CHURCH. I heard from many manufacturers in my State because I voted for the bill.

MR. RICH. I heard from them, too, but I voted against it. Does that give you any satisfaction?

MR. CHURCH. My manufacturers were very much concerned about it.

MR. COCHRAN (to Mr. Rich). I am very glad to hear you say that you voted against it.

We are paying out subsidies now going into the billions of dollars. The last report I got from the Bureau of the Budget 2 years ago showed that subsidies are well over \$2,000,000,000 and there have been bills introduced that will provide for about \$5,000,000,000 of subsidies if they are ever enacted into law, such as Federal aid for education. Do you not feel that the States should take care of themselves without the Federal Government giving them subsidies?

MR. MOSHER. The way you put the question to me I do not think it is fair, sir; because you are asking me if I am opposed to subsidies for education.

MR. RICH. I do not think that question is fair after you made the statement you did, to ask the gentleman who represents the Manufacturers' Association a question like that, when you are talking about subsidies, when you say you did not vote yesterday but you voted for almost every subsidy the Government has paid.

MR. COCHRAN. I have?

MR. RICH. Yes; you have, and I can prove it by the record; and then you ask the representative of the National Association of Manufacturers in regard to a subsidy for public education. Why it is ridiculous. You are asking this man questions and trying to get something on the record that will be detrimental to put him in the position of saying that they do not want education.

THE CHAIRMAN. The gentleman refuses to yield further.

MR. RICH. The question should be asked in regard to this bill. Stop asking questions such as that.

MR. COCHRAN. I am talking about subsidies. Mr. Mosher referred to them.

THE CHAIRMAN. The Congressional Record will show just how the gentleman voted.

MR. COCHRAN. You are in favor of advanced planning, are you not?

MR. MOSHER. Yes, sir.

MR. COCHRAN. Now to my mind this bill provides more than anything else for advance planning; for the Government to provide ad-

vance planning and have it ready in the event the situation develops where the Government has to step in.

That is one of the features of this bill. You are opposed to that feature of the bill, as far as advance planning is concerned?

Mr. MOSHER. If my silence indicates the answer you gave, I will answer it otherwise—because it is a question involving a dozen things which can be argued very well pro and con on both sides of the question, and so I cannot answer “yes” or “no.” If you ask me if I am in favor of advance planning, I am in favor of advance planning by anybody and everybody; but if you are asking me if this bill provides for advance planning and only advance planning, I will have to say I do not see that in the bill.

Mr. COCHRAN. You see it is now contained in the bill; we have a good spending program to prevent the development of unemployment.

Mr. MOSHER. Yes, sir; isn't that in the bill?

Mr. COCHRAN. No; we are not proposing to plan anything until there is unemployment.

Mr. MOSHER. I understand you to say a moment ago that it was in the bill.

Mr. COCHRAN. No; I did not.

Mr. MOSHER. You said the bill provides for Federal spending on public works.

Mr. COCHRAN. In the event that there is unemployment that private industry cannot take care of but it will have to be authorized and appropriated.

Mr. MOSHER. That is part of your prior question.

Mr. COCHRAN. There is nothing in this bill to say if all the people are employed, the Government should step into the picture and provide for appropriations to carry out certain projects so that unemployment will not develop. There is nothing like that in this bill, nothing whatever.

Mr. MOSHER. Are you telling me that? You just made the statement, if I follow you correctly, that this bill does not provide for the Federal Government spending any money.

Mr. COCHRAN. For the Federal Government to spend any money to prevent the development of unemployment. I am using your words, “to prevent the development of unemployment.”

Mr. MOSHER. Where are you quoting from?

Mr. COCHRAN. On page 20, line 4 of your statement, where you say:

We must have a Government-spending program to prevent the development of unemployment.

Mr. MOSHER. If I follow your question, you are saying this bill does not provide for the Government doing any spending if its finds unemployment. Is that your question?

Mr. COCHRAN. My contention is that there is nothing in this bill that will permit the Government to go ahead and spend money to prevent the development of unemployment.

Mr. MOSHER. Well, let us read the bill.

The CHAIRMAN. It is on page 3, line 8, subsection (e).

Mr. COCHRAN. Where is that?

The CHAIRMAN. Page 3, line 8, subsection (e):

To the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume

of Federal investment and expenditure as may be needed to assure continuing full employment.

Mr. MOSHER. Certainly. Doesn't that provide for the Federal Government spending?

Mr. COCHRAN. No, not until the unemployment situation develops, in my opinion.

Mr. MOSHER. Isn't that what you are talking about?

The CHAIRMAN. Reports are that we will have 8,000,000 unemployed next year.

Mr. COCHRAN. In this morning's Washington Herald there was an article from yesterday's Wall Street Journal in regard to the endeavor of Congress and other agencies to forecast the United States unemployment for the next few years; and it was estimated that for the first quarter of 1946 there will be 8,000,000 people unemployed. If we have 8,000,000 people unemployed in the first quarter of 1946 and there is nothing to show that there is any chance for those 8,000,000 unemployed to go to work, what will we do with them?

Mr. MOSHER. I do not think that there is any necessity for that situation arising.

Mr. COCHRAN. I hope not; but if it does arise, what will we do?

Mr. MOSHER. If it does arise, we will take care of them. We always have and we always will.

Mr. COCHRAN. When you say "We" do you mean private industry or the Government?

Mr. MOSHER. The country as a whole.

Mr. COCHRAN. The country as a whole, including the Government.

Mr. MOSHER. Yes, sir. To go back to your other question, let me read another paragraph in the bill, on page 5, line 3:

When there is a prospective deficiency in the national budget for any fiscal year or other period, the President shall set forth in such budget a general program for encouraging such increased non-Federal investment and expenditure, particularly investment and expenditure which will promote increased employment opportunities by private enterprise, as will prevent such deficiency to the greatest possible extent.

You will not wait until this debacle occurs.

Mr. COCHRAN. Doesn't that same sentence say: "non-Federal investment and expenditure"?

Mr. MOSHER. I do not draw any line between the two. It provides for Federal spending. This may put it in the hands of any of you to spend.

Mr. COCHRAN. This provides:

The President shall set forth in such budget a general program for encouraging such increased non-Federal investment and expenditure—

what he feels will encourage private industry without any investment or expenditure.

Mr. MOSHER. To come back to your own explanation, I am trying to find what this means. You only mentioned public works. If you are going to provide public works, you must provide money ahead and you will pay when you are building them.

Mr. COCHRAN. That is the policy Congress has followed for years. The Government is responsible for rivers and harbors; they control the navigation, likewise flood control projects.

Mr. MOSHER. Are you telling me that Congress has for years made up this deficit in national products?

Mr. COCHRAN. No; it has not made up the deficit in national products but it has in public works.

Mr. MOSHER. You said, if I followed you clearly, that Congress always has provided for public works.

Mr. COCHRAN. Yes.

Mr. MOSHER. And in answer to my prior question of what Congress would use money for, you said public works. You said that Congress has always taken care of it in the years gone by.

Mr. COCHRAN. It never failed.

Mr. MOSHER. Are you telling me that Congress has assumed the responsibility in years gone by to provide full employment and has done it through public works?

Mr. COCHRAN. It has provided for public works.

Mr. MOSHER. But I must come back to your own statement that the only expenditure you foresaw by the Federal Government to make up this deficiency was public works. Now you tell me the Federal Government always has provided; therefore I can draw no conclusions except what you said, that Congress has always made profitable employment by public work.

Mr. COCHRAN. We have a program already adopted by Congress for the expenditure of millions of dollars for rivers and harbors, flood control. There is a hearing this morning before the Public Buildings and Grounds Committee on a bill to provide for construction of public buildings.

Mr. MOSHER. Yes.

Mr. COCHRAN. Now when that bill comes up, it is merely an authorization. The money will not be appropriated. It will merely be an authorization and when conditions arise that require the expenditure of money from the standpoint of putting people to work, Congress can then appropriate some money to carry out some of those projects already authorized.

Mr. RICH. Will the gentleman yield there?

Mr. COCHRAN. No. When they put these men to work and they get money, they spend that money for the necessities of life, and in the end it goes through the retailers to the distributors, and finally it gets back to the producers. Isn't that true? It puts money in circulation.

Mr. MOSHER. Within a limited degree it is true, but you are leading me to believe now that the only thing you foresee to make up for what I call this deficiency in gross national products is the public-works program.

Mr. COCHRAN. I do not know what they are going to plan. They might plan something else besides a public works program.

Mr. MOSHER. I am seeking information.

Mr. COCHRAN. This provides for a plan.

Mr. RICH. Will the gentleman yield there?

Mr. COCHRAN. I will yield the floor. Go ahead.

Mr. RICH. When they built the Pentagon they said it would cost \$30,000,000 and it cost over \$100,000,000. Now they say they want more space for the Army and the Navy. They are talking about more buildings for the Army and the Navy. Did you ever hear of anything more asinine? The chances are you will, as usual, get orders from the White House which you will follow as you always have.

Mr. COCHRAN. No; I have not always.

Mr. RICH. Just about always.

Mr. CHURCH. Mr. Mosher, if this or a similar bill passes, do you think it would discourage small industry in general in producing jobs, rather than encouraging private industry?

Mr. MOSHER. I think the bill which we have for consideration today, that is the House bill (H. R. 2202), is distinctly a discouraging factor and not an encouraging factor.

Mr. CHURCH. Isn't it a fact that it creates a fear in the minds of businessmen or people who put up risk money to get small businesses started or to carry on business?

Mr. MOSHER. The bill, in very simple language, is a Government spending program, and no Government spending program can be an encouragement to private enterprise; and it is my opinion, not shared by others, that partly through private enterprise Government can furnish jobs.

Mr. CHURCH. Now with reference to the subject of deficiency expenditures, you are acquainted with the fact that this is an authorizing bill.

Mr. MOSHER. Yes, sir.

Mr. CHURCH. Then later, generally speaking, would come along an appropriation to carry out the program.

Mr. MOSHER. Yes, sir.

Mr. CHURCH. But you are also familiar with the fact that there are bonded issues—bonded indebtedness which takes care of the deficiencies.

Mr. MOSHER. Yes, sir.

Mr. CHURCH. And we have deficiency appropriation bills.

Mr. MOSHER. Yes, sir.

The CHAIRMAN. Mr. Resa, have you any questions?

Mr. RESA. I am a little bit confused by a sentence which appears in your statement on page 18. It reads:

For this reason NAM has endorsed the principle of Federal aid to States in financing of mass unemployment, should it occur.

Now do I correctly understand that might mean "in financing measures to overcome mass unemployments?"

Mr. MOSHER. Yes, sir; but I have built up, as you read the discussion through, I am building up from a base to this: I maintain that only private enterprise can ever furnish full employment in this country. I further admit that men being what we are, we make mistakes. I say that the Government should and must furnish the framework of laws within which private enterprises can flourish, and thereby furnish jobs. Now, then, I say the Government will make mistakes in those laws; we in business will make mistakes, and I say if mass unemployment does result because of those mistakes, that I think it is a proper function of the Federal Government to assist the States in taking care of that mass unemployment. Have I answered your question, sir?

Mr. RESA. Yes; that covers that point. Is it your opinion that that aid to the States should be forthcoming after mass unemployment has come into existence, rather than in anticipation of it?

Mr. MOSHER. I do not know that I follow your question. If the Federal Government is to assist the States in the event of mass unem-

ployment, I should say that in effect you would have to have a law, or a series of laws, authorizing that situation; that is, the authorization before the event. You asked me whether the Federal Government should do it ahead of time or wait until it happens. I come quite timely to this conclusion that the authorization set-up would have to come first, because if you are going to relieve mass unemployment you cannot wait until they starve to give them money, but must be there ahead of it.

Mr. RESA. Of course, aid would have to consist of something more substantial than legislation.

Mr. MOSHER. It would mean an appropriation.

Mr. RESA. It means the expenditure of money.

Mr. MOSHER. Yes, sir.

Mr. RESA. The expenditure of the Federal Government would come after the mass unemployment came into existence.

Mr. MOSHER. Yes; for all practical purposes.

Mr. RESA. Would that money so expended be used to provide employment, or by what method do you think it should be expended to overcome that unemployment?

Mr. MOSHER. It is a difficult question to answer. We have got to go back into the whole theory of what you can do under such a situation as we are trying to think about. I would like to go back, if I may, to part of this complete program which we filed with the Senate. Maybe I can paraphrase some part of it because we covered it in considerable detail.

Depression unemployment, or that unemployment caused by broad cyclical swings in the volume of business activity, does not occur if prosperity is maintained. Granting we can be assured of permanent prosperity, therefore, there is no reason to anticipate such unemployment, and no need to set up machinery for taking care of such depression unemployment.

Nevertheless, men being what they are, it is not possible to say with positiveness and absolute finality that there never again will be depression unemployment. One can say that with a given program both in spirit and to the letter, that such unemployment would not occur, and we are convinced that that would be the case with the program outlined above. But there always are great pressures at work in an economic system such as ours, and the result may be delays in adopting this or that step which is necessary to prosperity, or there may be shading here or there in putting the program into operation.

In spite of our firm conviction that adoption of the above program would assure permanent prosperity, therefore, we recognize that it is the part of wisdom to be prepared to meet the ill effects of the program not being carried out to the full.

Now there are several recommendations as to what can be done to provide against the contingency:

We recommend that it be recognized that depression unemployment, as contrasted with frictional unemployment, is a problem for the Federal Government as well as for State and local governments. This is because such depression unemployment is a problem which is national in scope.

That although depression unemployment should be regarded as a national problem, it be recognized that the Federal Government is

ill prepared to know the needs of various localities in detail. Therefore, in order to assure efficiency and justice in the giving of this aid, administration should be left in local hands.

That is why we recommend that it go back to the States.

That to carry out this policy it be provided that if depression unemployment occurs, which would be unemployment in excess of what the records indicate is merely the "normal" volume of frictional unemployment, then the Federal Government shall make such contributions to the States as necessary to enable them to provide the needed relief. The maximum of such contributions should not exceed a dollar-for-dollar matching of the amounts contributed by the States.

That in using these funds each State shall make payments based upon the average per capita income of that State, with allowance made for the need of the recipient.

That it shall be provided that the unemployment aid may be given either in cash or kind, or either as relief or for useful work performed, as determined to be in the best interest of the recipient by the local relief administration.

In other words, we are saying if these relief appropriations would be best, to give us relief. If a WPA operation seems to be the best, that should be within the possibilities.

That at frequent intervals full details be published as to the cost of administering such relief.

That it be clearly recognized that such relief is not a permanent substitute for productive jobs, and that if such depression unemployment occurs, its permanent alleviation is to be found only in correcting those financial, economic, or Government policies which are responsible for having prevented the continuation of prosperity.

Now to go back to the elements of this question; there is not, as far as I can see, immediate relief other than the two types I have listed, that will take care of mass unemployment. It means an examination of our whole economic structure, as I read in the last paragraph, so that the over-all corrective measures can be taken, and that is where we get into this factor I mentioned a moment ago, of mistakes human being made. If we make no mistakes, I am positive we would not have unemployment; but we make mistakes.

Mr. RESA. That aid to the States might involve a very considerable Federal expenditure, don't you think?

Mr. MOSHER. It could.

Mr. RESA. And I understood you to say you thought the appropriation for the aid should precede the occurrence of the national unemployment.

Mr. MOSHER. Well, inasmuch as in this case we are arguing that, first, the Federal Government should provide assistance to the States, it would follow, of course, that you authorize. I do not know where to draw the line between authorization and appropriation, but you authorize expenditures. Your authorization certainly would have to be a matter of record.

Mr. RESA. What do you think would be the effects of appropriations for such substantial expenditures of Federal funds in aid of the States, as to whether or not it would be an encouragement or a discouragement of private enterprise?

Mr. MOSHER. I think in case of serious mass unemployment there

would be no particular effects. If the Federal Government under ordinary conditions were to provide such payments, you would get the usual waste of money that you get in such situations.

Mr. RESA. I understood you to say that the enactment of this bill—these are not your words but I am trying to state your position accurately—the enactment of this bill would create a prospect of Federal spending of such magnitude that it would discourage private industry in such a way as to reduce employment.

Mr. MOSHER. Yes, sir.

Mr. RESA. And prevent full employment.

Mr. MOSHER. Yes, sir.

Mr. RESA. Do you think the prospect of the expenditure necessary to provide the aid to States would have a different effect?

Mr. MOSHER. I think that is a relatively small item.

Mr. RESA. Why would it be smaller?

Mr. MOSHER. Because I think if the general, over-all program is provided, you will not get this mass unemployment. This bill looks forward to mass unemployment and provides a system to take care of it.

Mr. RESA. Then, if I understand you correctly, the discouragement of private industry would come from the opinion in the minds of some that the enactment of the bill indicates a lack of confidence, so that the prospect of the expenditure itself would not be the cause of discouragement.

Mr. MOSHER. Well, I think I have got to say "Yes" to your question, as I follow you.

Mr. RESA. You say "Yes" that it would or would not?

Mr. MOSHER. This type of legislation which foresees Government expenditure and necessary controls which would have to ensue, there could be no greater discouragement to business.

Now your question, as I followed it, was: Did I foresee the same sort of discouragement arising from a program of aid to the States to provide for mass employment?

I think the figures we would look forward to are vitally different. One is aid, a subsistence program. This bill, I do not know what it looks forward to. I tried to find out, and I do not know what the idea is, but evidently it looks over to the expenditure of considerable sums of money. I tried to show by the chart the expenditures of a great many billions of dollars on public works, and your bill carries a sum of money that in my opinion will be many times any sum of money that might be necessary under a Federal relief program, Federal grant to the States. I am advocating that grant to the States only as an alleviating factor, not as a vital part of an over-all economic program.

Mr. RESA. What do you mean by a subsistence program?

Mr. MOSHER. Federal relief I consider a subsistence program. The Unemployment Act I call a subsistence program. We might have to change it in view of certain current circumstances, but the intent of the Unemployment Act was what I called a subsistence program. It would not provide a bare living but a bare subsistence. That was the theory under which it operated, as you well know. That is what I am calling a subsistence program, and I say a subsistence program to relieve distressed cases is quite different from the Federal Govern-

ment embarking in some kinds of public enterprises, public works, if you please, or whatever it envisages, and I do not know what is envisaged. That is quite a different situation.

Mr. RESA. Wouldn't it be necessary for the Federal Government before extending financial aid to ascertain for itself the extent of the need for that aid?

Mr. MOSHER. I presume within reasonable limits; yes, sir. I do not believe the Federal Government should under any circumstances supply money to anybody without reasonable investigation of what is going on behind it. I would not open up the Treasury to the States.

Mr. RESA. Well, that would involve considerable administration under the circumstances, would it not?

Mr. MOSHER. I would not look forward to that sort of thing as calling for any considerable amount of administration work on the part of the Federal Government.

Mr. RESA. In determining the amount of Federal aid to be afforded to any particular State, do you think that the financial ability of the State to meet the situation without Federal aid should be considered?

Mr. MOSHER. I think I will have to say "No."

Mr. RESA. May I ask why not?

Mr. MOSHER. Now I get into a little trouble. You see, that is outside of my province. It is not part of my job as president of the National Association of Manufacturers to discuss some of these sociological or psychological factors, but I will give you my opinion for what it is worth.

I do not see why as a citizen of Massachusetts, which I am, and because I saved my money and because I have kept my town government in balance and because I have kept my State government in balance—I am saying "I" as a citizen of the State—why you should ask me to contribute more than Mr. Brown over here, who does not contribute because he has lived under a situation where he has not paid his bills. I do not see why, because I have saved some money and he has not, that I have to give any part of my savings when he has nothing to give. You see, you have got me outside of my bounds, but I am giving you my personal opinion.

Mr. RESA. Mr. Mosher, I am merely asking you the meaning of the statement that you have made. Isn't it a fact that the provisions of a subsistence program would make no contribution to recovery from the economic conditions that produced mass unemployment?

Mr. MOSHER. That would be so.

Mr. RESA. Do you think that the provision for employment at a higher wage for the working population not employed in industry would make a greater contribution to the recovery?

Mr. MOSHER. I am not sure if I get your question. You are asking me if higher pay to those people not at present in industry would make a contribution?

Mr. RESA. Yes, sir; for useful work.

Mr. MOSHER. If the useful work is such that it can be made a factor, I think the answer would have to be "Yes." But if you bring up the point, which I did not bring up with Representative Cochran, I think it was that any Federal-works program—and that is what I think you are referring to now—cannot be but a drop in the bucket in this national economy in total volume in this country; it cannot

do a job. You cannot plan it far enough ahead. You cannot get it into action at the point where the unemployment occurs. For example, the building of the new dock at Boston is of no assistance to me, away over in the town of Southwick.

Mr. RESA. Don't you think that provision for subsistence allowances obtained by the recipients without working contributes very materially to destroying the moral fiber of the recipients?

Mr. MOSHER. There can be no question about it.

Mr. RESA. Don't you think that that factor would justify the expenditure of a larger sum for work on projects that would add to the national wealth of the Nation?

Mr. MOSHER. Well, from a sociological standpoint I cannot give you any other answer but to agree with you. I come from a small town. I was chairman of the finance committee of that small town; if you know Massachusetts town government—if you do, you know what is involved. That is the group that brings in the budget and is shot at by the citizens at the town meeting. I have been interested in public welfare in that town and I have gone through the files of everybody in that community who drew any money. I can see that you start out very fine with a program whereby you can take these people who for reasons beyond their control are out of a job; you start to pay them a decent wage so that they can maintain their own morale. However, I have failed to see it work. It has not worked that way.

Mr. RESA. The payment of subsistence money contributes very little to the creation of income for others which would yield taxes.

Mr. MOSHER. Yes, very little.

Mr. RESA. The payment of a larger sum for work on useful projects would make a greater contribution to the circulation of value out of which income grows which can be taxed.

Mr. MOSHER. I cannot but agree with you, but I must come back to that little word "useful." In my own experience, limited as it has been, I have failed to see any program of useful projects that can be of a large enough volume and in particular localities. I come back to the rather crude example I used: To build a dock in Boston does not help my people in Southwick, which is 60 miles away, although I assume that dock would be one of your useful projects.

Mr. RESA. Well, I am interested now in the question of creating a circulation of value to produce income which can be taxed.

Mr. MOSHER. There is only one way, in my opinion, in this country of ours, if we are going to preserve our American free-enterprise system—there is only one way that can be done, to create the framework within which private enterprise can assure full employment. Now if through the fault of many, whether the Government or private enterprise or what not, we make mistakes and mass unemployment results, we have no recourse except to take care of those people who are out of work through no fault of their own, as best we can; and the only way we can get them back on those paying jobs is this small volume of public works. The National Association of Manufacturers is on record as favoring works of a certain nature, but we say it is only a small drop in the total bucket.

I say the only way we can get those people back to work is to correct whatever cause brought about mass unemployment. Whatever reason there might be, we must find out what those troubles are, correct them, and thereby get these people back onto a job.

Mr. RESA. When the economic situation has created mass unemployment, isn't it then too late to deal with the causes of it? Don't you have a new problem which requires the application of new remedies? The economic situation is not static and what causes a decline at one time might not operate in that way at another time.

Mr. MOSHER. Yes.

Mr. RESA. So that the ascertainment of the cause, and dealing with it, might not be the cure. It might have been a prevention. In other words, a thing which might have been a prevention might not be a cure after the thing comes into existence.

Mr. MOSHER. Yes; which leads to the point that the whole situation might have to be under constant study.

Mr. RESA. That is all.

Mr. RICH. Mr. Mosher, is it a fact that there are people in this country who do not care whether they work or whether they do not?

Mr. MOSHER. You have got me on the spot there. I will have to answer your question that, "Yes, there are."

Mr. RICH. Are there not a certain number of people in the country who never care whether they work or do not?

Mr. MOSHER. I hope you do not ask me to answer in detail. Incidentally, in our town I can tell you the percentage of the people who do not work. I happen to know those figures.

Mr. RICH. There is a certain percentage of people who never work.

Mr. MOSHER. And they are the ones who cannot be taken care of.

Mr. RICH. And it would be very difficult if we passed this bill and left it up to the President to determine always just what amount of work would have to be created in order to give everybody a job.

Mr. MOSHER. Well, I do not think we need go much beyond the present situation. Most of the people generally are tired out. They worked like the very devil on their jobs which have been closed down. Not many of them have gone to the USES for other jobs. There are many positions open for which there are no applicants. In my own company I could put 90 more people on the pay roll if I could find them.

Mr. RICH. Isn't it a fact that the problem of reconversion is getting people to work?

Mr. MOSHER. That is the case.

Mr. RICH. From San Francisco to New York and from Michigan to Florida, everybody is advertising for people to get back into jobs, and if everybody put their shoulders to the wheel, our reconversion job would be simple, and our Government would be in much better condition.

Mr. MOSHER. I will go one step further: If we do not do certain things which discourage investment and the creation of jobs, it is my own opinion that there are going to be more jobs surplus than there are people who want them for a long time to come. I know that statistics could be used to prove the contrary and make claims of 8,000,000 unemployed, and all that sort of thing, and there will be 8,000,000 unemployed if we continue certain roads we are going, which we do not need to do.

Mr. RICH. There is no question but what there are plenty of positions that need to be filled, but from my own congressional district I have heard that people do not look for jobs because they want to get

unemployment pensions. They do not leave their jobs mainly for the relief they are getting. Do you think that is a fact?

Mr. MOSHER. I do not think they leave their jobs that they are on at the moment. I do not think anyone leaves a job in order to go on unemployment relief; but I think that when a certain "war baby," of which there are quite a number, closes up or shuts down, then those people are out of work and they are not at the moment, in a large majority of the cases, looking for jobs, and they are going to draw pensions as long as they like.

Mr. RICH. I received a letter from one of my constituents yesterday and this is just one paragraph in it:

In talking with one of our customers a few days ago, who hires about 60 people and who is located in your district, he advised that he had 14 individuals pressing him to fire them. Three of the 14 were deliberately refusing to do any work and were insisting on firing. They frankly stated they wanted to go on unemployment relief.

Mr. MOSHER. I do not believe I ever ran across such a case in my experience.

Mr. RICH. That came to me unsolicited. I think this is a good place to get it in the record.

Mr. MOSHER. I think that there are some of those cases, but for our purposes we can disregard them. That is not true of our people as a whole.

Mr. RICH. I think you are right on that. Now in forecasting reports in your business and in business generally, isn't it a case that they try each and every year, or a number of times a year, to try to forecast what their business is going to be?

Mr. MOSHER. Generally speaking, in my business today they lay out their program at least a year ahead. Some businesses, because perhaps of the particular business possibly, because the management may be a little more forward-looking, go up to any number of years ahead. I know of many businesses that go up to 5 years and 10 years. We know the telephone company goes up to 50 years, or something like that. That may or may not be easy, but there hardly is a business which does not figure a year ahead; but that budget, even under those conditions, is subject to correction almost every day.

Mr. RICH. Are they all accurate forecasts? Do they make a forecast and then find out a month later the forecast, you might say, was worthless?

Mr. MOSHER. Not quite worthless, but it has to be materially changed. I asked several individuals within 2 months in rather far-flung businesses, not necessarily big ones because the big ones do naturally have more statistics and can afford to pay for better brains in that respect than the small plants; and the reports I got were something like this: One particular individual was vehement about this. He said his people could not estimate a year ahead within 25 percent, and he would not change that figure.

Now my opinion, on my own experience, I will say that if I was able to estimate within 10 percent of what was going to happen 12 months ahead, I think I would be pretty good—or rather I would be lucky.

Mr. RICH. If you will observe the estimates made by the Bureau of the Budget in forecasting Government expenditures for certain years, you will find before the year was over they were 400 percent off.

So it would not be anything to suppose they would do the same thing if they were to estimate jobs, would it?

Mr. MOSHER. We have a record of Government experience in forecasting in estimating Federal expenditures from the year 1923 to 1941. This chart [indicating] shows the percentage of error in estimating Federal expenditures for the years 1923 to 1941, inclusive. You will see that for the year 1923 there was 5-percent error; in 1924 there was an 8½-percent underestimate; in 1925, that looks like a 6-percent estimate; 1926 looks like a 9-percent; in 1927 they hit it; in 1928 there was a 2½-percent error in estimate; in 1929 there was a 7½-percent underestimate; in 1930 it looks like 5-percent underestimate; in 1931 there was an overestimate of about 1 percent.

In 1932 they underestimated by 17 percent, and I cannot blame anybody for being unable to estimate any better than that for that year. In 1933 there was a 22-percent underestimate; in 1934 there was a 46.7-percent underestimate; in 1935 there was a 39-percent underestimate; in 1936 there was a 4-percent underestimate; in 1937 there was a 17-percent underestimate; in 1938 there was a 19½-percent underestimate; in 1939 there was a 19-percent underestimate; in 1940 there was a 1-percent underestimate, and in 1941 there was a 34-percent underestimate.

Those are Treasury Department estimates.

Mr. RICH. Will you make that chart a part of the record?

Mr. MOSHER. I will be glad to.

The CHAIRMAN. Mr. Mosher can insert at the end of his remarks copies of the charts which he has been discussing.

Mr. MOSHER. I will do so. The other charts are: How Many Dollars Make a Job—\$2,000? \$4,000? \$10,000? And a chart showing the percentage of labor force actually employed, 1900 to 1944.

The CHAIRMAN. They may be inserted in the record at the conclusion of your remarks.

Mr. RICH. Have you the record of income?

Mr. MOSHER. No, sir; I do not have it.

Mr. RICH. The record of income is quite material.

Mr. MOSHER. It is in your Washington paper of this morning, that is, the Washington Post.

Mr. RICH. Isn't it a fact also that in forecasting business conditions, that many times the forecasts are interrupted by legislation that is proposed that creates conditions that throw off those estimates?

Mr. MOSHER. If you create those uncertainties, and you are looking that far into the future.

Mr. RICH. Your business people do not know what State legislatures of the country are going to do, and therefore it is a deterring factor in the future of business.

Mr. MOSHER. In the good old days—if they were good old days, and that is subject to argument—we felt we did not need to pay any attention to anything except our job and our customers. Now there is no business but must keep a watchful eye on many things.

Mr. RICH. So when business is good and everybody has a job, is it a wise thing for the Government to go in and start a building program, or should the Government in building public buildings and things of that kind, kind of hold them back waiting on a time to take up the slack? Wouldn't that be a great factor, if the Government would work in that way, trying to keep a stabilized labor situation?

Mr. MOSHER. Theoretically, any Government expenditure, Federal, State, or otherwise, ought to be made in depression periods to help in the situation. I think it is a relatively small item and I do not think it can be a vital factor. But, Mr. Chairman, I think to the extent that can happen it should be. On the other hand, we have to look at the realities of the situation. I could not get a new building in my town at the bottom of the depression to save my life. The only time I can get it is when the country is feeling good and not caring about the size of our tax bill.

So while it is theoretically good from an economic standpoint, notwithstanding the difficulties to carry it out in practice, I think we should still strive to do our public works in the low periods; but I see some difficulties involved in that.

The CHAIRMAN. Mr. Mosher, if this bill becomes law and there is no unemployment, wouldn't it be wise for us to utilize our unemployment compensation funds to build up a fund to pay off the public works program, because there will be no more unemployment?

Mr. MOSHER. Now we get in another field, in which I do not feel too qualified to answer. You are asking me if it would not be a good thing to build up the unemployment funds with the objective in mind of using those funds to pay for—

The CHAIRMAN (interposing). Earmark the funds to pay for work.

Mr. MOSHER. I do not know, Mr. Chairman; I would have to study that situation. There are a lot of repercussions about that. Off-hand, it looks to me like something worth considering, but I am not in a position to say whether that would be a good thing to do or not.

The CHAIRMAN. If this becomes a law and there is no unemployment, then there will be no necessity for it.

Mr. MOSHER. In this little town in New England we are contributing very heavily to the unemployment fund, and we have no unemployment and haven't had any in that town for as many years as I can remember. We had a little in 1932. It is the most prosperous town in New England because the manufactures ran all through the depression. That was due to some good fortune and an awful lot of good planning.

Now, frankly, I do not want to contribute—I do not think I do—to an unemployment fund in even my State, let alone the Federal which applies for Federal works. I do not know any public works that we want in my town which would help my people. Do you see my point?

The CHAIRMAN. What I am talking about is this: If this bill became law, do you think it would be a good idea if the unemployment compensation fund which is earmarked to pay compensation, whether that could not be used; that is, whether it would not be a good idea to use it for public works?

Mr. MOSHER. I do not contribute but a relatively small amount to the unemployment fund, and if you permitted me to put my money in the business, that would make more jobs; and I think the country would be better off to let me do it, rather than to see the Federal Government and the States take that money and keep it against the day when they will build some Federal works, for my people who contribute do not get any part of it.

The CHAIRMAN. Suppose the bill provides that there should be no Federal employment but there will be Federal spending on public

works? That would be public works and we would want to earmark funds for that so that we could use that in later years.

Mr. RICH. Mr. Mosher, if you were to operate your business or the city government for a number of years and you were continually going in the red, what would be likely to happen to your business?

Mr. MOSHER. You say if the city or my business continued to go in the red?

Mr. RICH. Yes; you are a successful businessman or you would not be head of the manufacturers' association. If you operated your business continually for a number of years and each year you went in the red, say 20 percent, how long could you keep in business?

Mr. MOSHER. If I went in the red 20 percent, I would last about 3 months under present figures; but if we went in the red a modest amount, I should last perhaps 1 year.

Mr. RICH. How long do you think the Federal Government can continue on its program of spending and remain in the red and continue as sound government?

Mr. MOSHER. A very little while longer.

Mr. RICH. Then it is necessary for the people of the country and the legislatures to try to keep this country in a solvent position, if we are to endure as a benefactor.

Mr. MOSHER. I do not make this as a dogmatic statement, but I say that I find the opinion of a good many people is that the greatest encouragement to the national economy will be a balancing of the budget.

Mr. RICH. And in order to get a balanced budget, it is necessary for us to operate this country more economically in the future than we have in the past, if we are going to survive.

Mr. MOSHER. We have got to do more than just raising revenue to pay a big budget. That is not sufficient, but we must cut our spending to a fair minimum.

Mr. RICH. That is right; we must have an economic operation. There are many questions I would like to ask you, but I will turn this over to my colleagues.

Mr. HENRY. Mr. Mosher, I have a few questions which are pertinent to the bill, and they are questions which I have been asking almost every witness. I am curious to know how you will answer them.

Of all the policies and objectives that are set forth in this bill, what policies and objectives could not be carried into effect under existing law?

Mr. MOSHER. Well, I can make it easy for myself and a little difficult for you by saying that the Constitution gives the President, in my opinion, all the powers that this bill gives him.

Mr. HENRY. Then am I to understand you that the policies, and objectives set forth in this bill could be carried out under existing law without this legislation?

Mr. MOSHER. Yes, sir.

Mr. HENRY. Is it possible, in your opinion, for the Government to guarantee full employment and an opportunity to secure work for those desiring and able to work, without exercising power to direct private enterprise, control local and State government expenditures, and assign workers to jobs?

Mr. MOSHER. Well, you have a pretty complicated question there.

I am not trying to duck it. If you take this proposition that evidently is in the thoughts of businessmen who anticipate permanent unemployment, or unemployment of such a size and appearing often enough so that it becomes permanent unemployment, and then you have the deficit spending that naturally is concurrent with it and certain people are supported without producing, then I think it comes down to this: How long are you going to work to support me? Any day you decide not to work to support me, then the Government steps in and tells me what both must do. There can be no answer.

Mr. HENRY. If this bill passes, do you think that the Government would be able to do the job without directing private enterprise, control local and State government expenditures, and also assign workers to jobs?

Mr. MOSHER. If you carried this bill through to what I think is a logical conclusion?

In the first place we stumble on where the money is coming from; but assuming the money came along to perpetuate that policy, it then brings us to the Government economy, totalitarian; it comes to a national economy from top to bottom.

Mr. HENRY. Can the national budget of expenditures be forecast accurately enough and far enough in advance to constitute a suitable guide to Government economic policy?

Mr. MOSHER. Definitely not.

Mr. HENRY. And should the bill define the "right" to an opportunity for employment and explain how this right is to be exercised?

Mr. MOSHER. I do not see how the Government can give any citizen the right to a job unless it supervises the handling or providing of the job.

Mr. HENRY. Don't you think they should define the right?

Mr. MOSHER. I do not know.

Mr. HENRY. You know what the "right" means in the bill?

Mr. MOSHER. No; I do not know that I do.

Mr. HENRY. Then does it naturally follow that they should define the "right" in the bill?

Mr. MOSHER. I think they should.

Mr. CHURCH. It is merely a fine phrase, isn't it?

Mr. MOSHER. I wish I was skilled in euphonics.

Mr. CHURCH. Do you know of a better phrase than "full employment"?

Mr. MOSHER. No, sir. I came into Washington a month ago with fear and trembling because I do not like the bill, but I am of the opinion, and I have been, for full employment now and forever.

Mr. CHURCH. I do not know of anybody who does not want full employment.

Mr. HENRY. Mr. Mosher, does the assurance by the Government that there will be jobs imply that the Government will ultimately have to define what constitutes a job?

Mr. MOSHER. Oh, yes.

Mr. HENRY. Isn't there a difference between assuring the free exercise of the right to an opportunity for employment and in guaranteeing such right?

Mr. MOSHER. There is as much difference as between day and night.

Mr. HENRY. And will the bill in effect tend to bind future Congresses to make good the assurances contained therein?

Mr. MOSHER. It is a long-term program. It presumably could not be anything else but a long-term program. Certainly if we use the words "future planning" which have been used, it envisages going ahead into the future, and I do not question for a moment but what if the President, whoever it may be, brings in a program on January 1 of some future year, that it has got to be one that runs over several years; it has got to be a long-term program.

To come back to your question: It could bind succeeding Congresses, if you are going to accomplish the apparent things that the proponents want in the bill.

Mr. HENRY. Do you think it is reasonable to assume that public expenditures can be turned off and on with that precision of timing that would be essential to the successful control of business cycles?

Mr. MOSHER. Well, I have thought of an answer to that question because I have given it some considerable thought. In trying to determine for the purpose of explanation how it is we run a business with a forward-looking budget, recognizing that budget is as far off as they get off, how do we live? We live by our ability to change our requirements quickly, and that means almost right away. It certainly means daily, and in no case can it be more than 1 month in the case of some far-flung businesses. If a program of this type is going to work, it is for the reason that a budget is going to work in a particular business, I do not see how it could work otherwise than to give somebody complete authority to spend whenever he feels there is a need for it and to some extent as he wants to.

Mr. HENRY. You do not believe, then, that it would be done with sufficient precision and accuracy to be of much value?

Mr. MOSHER. It cannot be done with sufficient accuracy and precision, and it could not be done within the time limit to accomplish the results desired.

Mr. HENRY. What effect could the adoption of increased minimum wage rates have upon the findings of those responsible for predicting the volume of employment during the forthcoming period?

Mr. MOSHER. Now we get into a different subject and I am not prepared to give you an answer. That question deserves a much more complete answer than I have time to give you at the moment. The question is: Does the raising of your, say minimum wages—I will make it a little broader—does the raising of wages thereby create more purchasing power—to use a phrase which is used by those who advocate raising wages. Does that promote the general economy of the country?

No wage paid or no wage rate that is not the result of increased production will be of any use to this country.

Mr. HENRY. Well, what effect would such an increase have upon the findings of those responsible for prediction?

Mr. MOSHER. Well, if you raise wage rates, for instance—I think what you are driving at is if in the course of a succeeding year wage rates move up 10 percent, based on an economy as high as \$200,000,000,000, you would thereby create a \$20,000,000,000 error to start out with; and it is impossible if you have a Federal budget that any Federal budget can stand any such error as that, and if it is \$25,000,000,000, you have an 80-percent error.

Mr. HENRY. Do you think it is feasible to base legislation on forecasts?

Mr. MOSHER. No, sir; not forecasts of this kind. Legislation has to be based on the best opinion you can get from a number of men. I think you meant: Should legislation be based on a mechanical forecast process; and I would say definitely "No." There is not any such thing now.

Mr. HENRY. Does the bill in its attempt to overcome unemployment distinguish between the various types of unemployment and provide remedies designed to cure the various types?

Mr. MOSHER. Well, I do not know if I know exactly what you mean.

Mr. HENRY. Well, for example, here is the laboring man. We will say he is unemployed. Then we will say a banker is unemployed.

Mr. MOSHER. I am capable of drawing unemployment insurance at the moment, as a Washington paper said the other day.

Mr. HENRY. Should the bill distinguish the various types of unemployment and provide various types of remedies in order to be a good bill?

Mr. MOSHER. Well, the bill does in effect, if not in so many words, provide that recommendations shall be made to provide for full employment. If you are trying to provide jobs for a certain number of people who are going to find themselves unemployed, you presumably have to find the type of job that those particular people can fill. They may be in one business on the west coast; they may be in another business on the east coast; or they may be in some other business in the central part of the country. They may be skilled artisans or common labor. Some may be bankers or something else. I think it would follow, if they are going to get positions which they can handle, that you must boil it out in detail as to the items that you are trying to cover here.

Mr. HENRY. That is all.

The CHAIRMAN. Mr. Mosher, in S. 380 which passed the Senate, section 2, subparagraph (b), provides:

All Americans able to work and seeking work are entitled to an opportunity for useful, remunerative, regular, and full-time employment, including self-employment in agriculture, commerce, industry, or the professions.

Do you know of any law now that will guarantee work to a man?

Mr. MOSHER. No; I do not, but I think that perhaps I will have to ask you, and I do not suppose that is within my province. You know, when unemployment came along that we had seasonal positions handled to a large degree, more or less, as a family proposition. We suddenly found an awful lot of new corporations and the people who worked in those positions became employees and subject to unemployment compensation. I am wondering if that is not an attempt to provide those who are normally in self-employment with compensation. I am wondering if the intent is not this, that those who are normally in self-employment should expect to seek self-employment.

The CHAIRMAN. Wouldn't it be necessary, to carry out the provisions of the last part of this section, to repeal State laws requiring certain qualifications or standards—as, for example, for the practice of medicine as regulated by law, without regard to any minimum qualifications of the law for practicing medicine?

Mr. MOSHER. This says:

All Americans able to work and seeking work are entitled to an opportunity for useful, remunerative, regular, and full-time employment, including self-employment in agriculture, commerce, industry, or the professions.

My guess, and I am only guessing, of course, is that if the Senate had stopped after the word "employment" in line 5, I as a normal self-employer would have the right—I guess that is the word—the right to demand a job; somebody has got to give me a job, the Government or otherwise.

The CHAIRMAN. But you may be a person who has been disqualified by the board of examiners and as, for example, be prohibited from the practice of medicine in your State. Actually it might be dangerous for you to be permitted to practice as a physician in the State as you might kill your patients.

Mr. MOSHER. I do not know what that means. I think anybody who has the qualifications to practice in one of the professions, being up to date, has to try to get his own clients. I presume that somebody will furnish him with clients.

The CHAIRMAN. But we also keep out undesirables, those who are not qualified to practice medicine.

Mr. MOSHER. Yes, sir.

The CHAIRMAN. For the reason that those undesirables might kill a lot of their patients, and if we were going to assure that fellow of an opportunity to practice when he is incompetent, why we would run into lots of trouble.

Mr. MOSHER. But I would not want the record to show that the bill would kill anybody.

The CHAIRMAN. If you will look at line 11 of page 2 of S. 380, you will find the words:

foster the American home and American education as the foundation of the American way of life.

Do you know of any law that prohibits a man now from leading a peaceful life in his own neighborhood?

Mr. MOSHER. We used to think we could, but some of us have wondered lately even if that was so.

The CHAIRMAN. That is all I care to ask.

Thank you for coming before the committee.

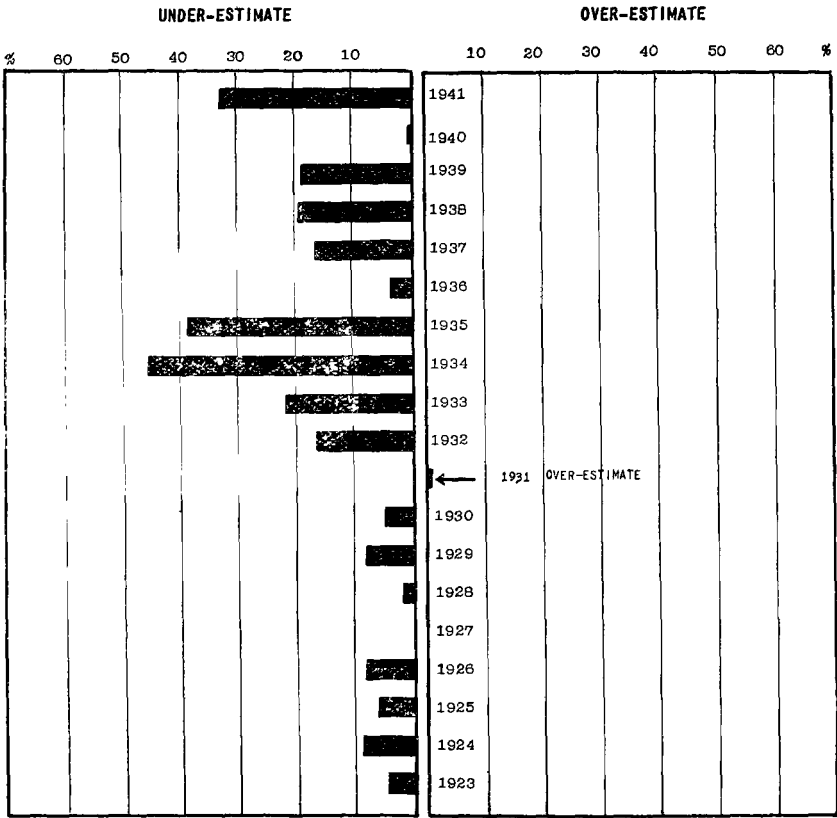
Mr. MOSHER. Thank you very much.

The CHAIRMAN. The exhibits you have may be inserted in the record at this point.

(The exhibits previously discussed are as follows:)

RECORD OF GOVERNMENT EXPERIENCE
IN FORECASTING

PERCENTAGE OF ERROR IN ESTIMATING FEDERAL EXPENDITURES
1923-1941



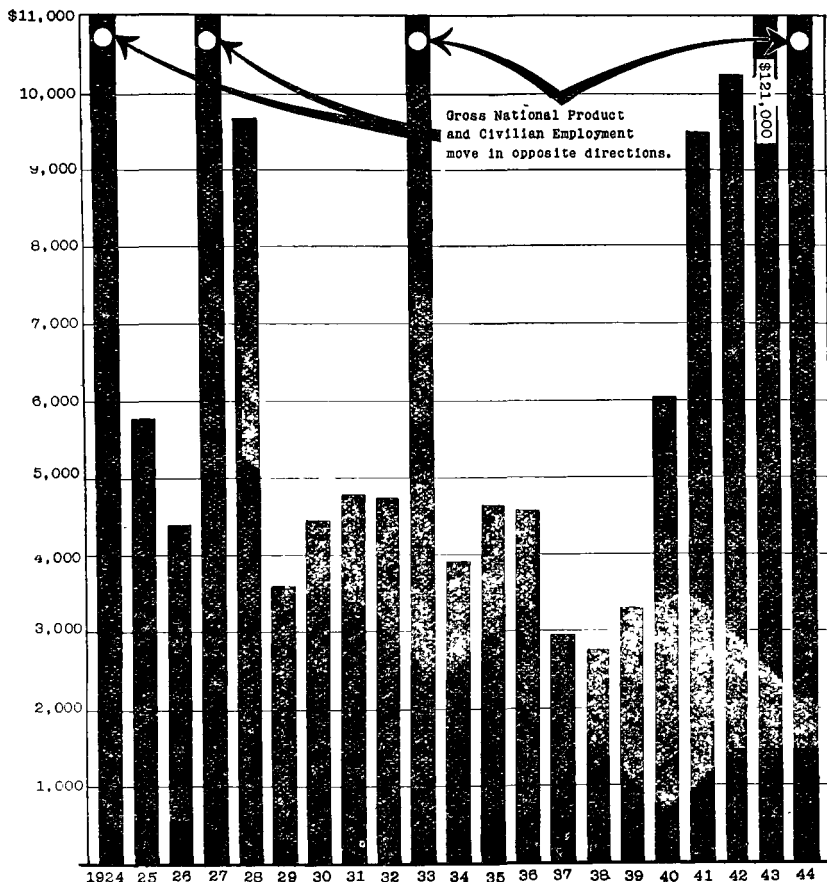
SOURCE: Annual report of Secretary of the Treasury.

HOW MANY DOLLARS MAKE A JOB?

\$2000? \$4000? \$10,000?

NO ONE CAN TELL BEFOREHAND

(Change in Gross National Product for Each Worker Added to or Subtracted from Total Civilian Employment)

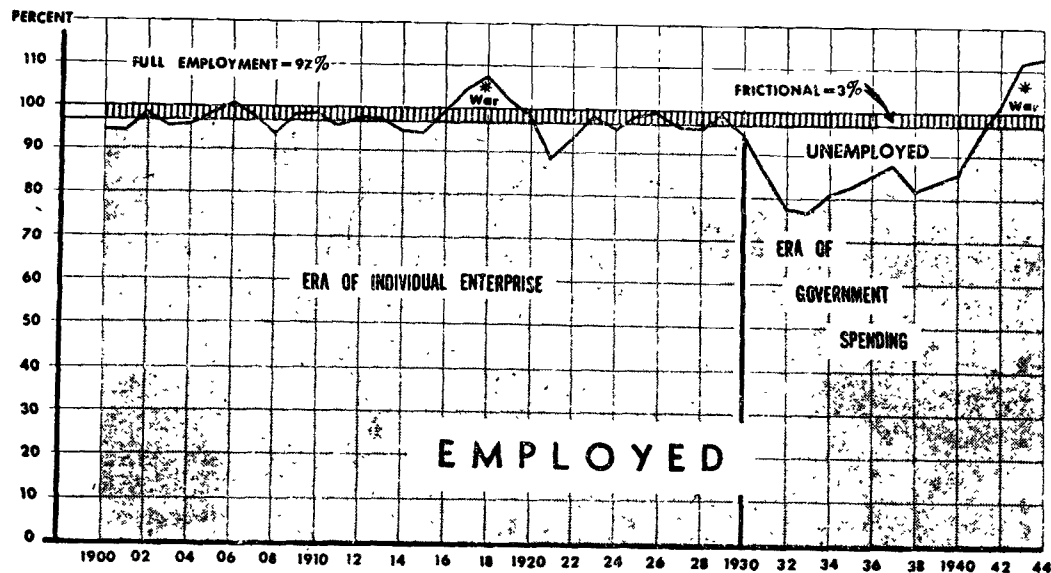


SOURCE: Hearings on Full Employment Act of 1945, part 1, p. 79.



PERCENTAGE OF LABOR FORCE ACTUALLY EMPLOYED

1900 TO 1944



* Overemployment due to inclusion of large Armed Forces during war.
Chart based on National Industrial Conference Board data

STATEMENT OF RALPH E. FLANDERS, PRESIDENT, FEDERAL RESERVE BANK OF BOSTON; CHAIRMAN, RESEARCH COMMITTEE, COMMITTEE FOR ECONOMIC DEVELOPMENT

Mr. FLANDERS. Mr. Chairman, for the record my name is Ralph E. Flanders. I am serving a term as president of the Federal Reserve Bank of Boston. While so serving I am on leave as president of Jones & Lamson Machine Co. and Bryant Chucking Grinder Co., both being machine tool builders of Springfield, Vt. In addition, I am chairman of the research committee of the Committee for Economic Development, commonly called CED.

The full-employment bill, H. R. 2202, which you are considering, is a most important piece of legislation. Its objectives meet with general approval. Nearly everyone who has appeared before you and before the Senate committee considering the corresponding bill, S. 380, has expressed his hearty support of sufficient job opportunities in a free, competitive economy. I would add my measure of tribute to these high purposes.

Full employment has been attained in our generation. It has been attained under dictatorships whose social system denies those freedoms which our people have willingly given their lives to preserve. This full employment has been attained at the additional cost of providing a niggardly scale of living for the workers. They have sold their freedom for a mess of pottage.

Full employment has likewise been attained in this country in time of war. While reasonably good living standards have been maintained along with an enormous war production, it has been at the cost of accepting a measure of totalitarian control of wages, prices, production, and job opportunity; and has resulted in a burden of national debt we would have shuddered to contemplate at the war's beginning. Full employment has also been reached or approached on several occasions in this country in times of peace, but has not been long sustained.

Observing these beginnings of recent history, it is clear that our objective must be not merely one of ample job opportunities. These job opportunities must also be productive, free, and not dependent on heavy debt expansion. Such is, I am sure, the purpose of the full employment bill.

If I am to criticize the bill, I would say that it falls short in the same means proposed for reaching its objective. It properly recognizes governmental responsibility, but depends finally on but one governmental resource, that of providing work for the unemployed. This final act can be successful only if the volume of unemployment is kept low. Major unemployment cannot be solved by this means without running the risks of regimented wages, prices, and labor, and a swelling debt.

Use of this final resource is only one of the responsibilities devolving on the Government. To keep unemployment down, it must consider well and decide wisely as to the effect of taxes, social security, monopoly control, labor policy, monetary and fiscal policy, and numerous other legislative and administrative determinations. I would suggest that a reading of the testimony before the Senate committee

on bill S. 380, presented by the Honorable Harold Smith, Director of the Budget, would give an idea of the many tools of Government which may and must be employed to hold the final, remaining unemployment down to a minimum.

The CHAIRMAN. Mr. Smith testified before our committee, Mr. Flanders. We asked him if there was anything in this bill in relation to the national budget that could not be done under existing law and he told us no, but he did admit that it would be a most difficult task to forecast what might happen 18 months from now.

Mr. FLANDERS. On that matter, since these bills were introduced I have thought of just what sort of a forecast would have been made in January 1937, as to what was going to happen to our economy. I am sure the official forecast would have been of danger of an inflation; whereas, as a matter of fact, we had a tail spin at the end of that year. That is an example of the history of the difficulty of predicting very far in advance and basing policies on those predictions.

The CHAIRMAN. And that was also true in 1929.

Mr. FLANDERS. Yes, sir.

The CHAIRMAN. We had very rosy, optimistic predictions from some of the great statistical organizations of the country.

Mr. FLANDERS. Yes, sir; there is also a danger, as we see it, that if the President and his advisers think that there is danger of a tail spin, and so announce to Congress and ask them to make preparations therefore, that the tail spin will be assured. You had more or less that situation in 1929.

The CHAIRMAN. And it would accelerate a tail spin which was in the making?

Mr. FLANDERS. Yes, sir.

The CHAIRMAN. People would start reducing inventories.

Mr. FLANDERS. Yes, sir.

The CHAIRMAN. And consumers would stop purchasing. Isn't that so?

Mr. FLANDERS. Yes, sir; the President and his advisers, officially speaking on that subject, will have a tremendous psychological effect that probably will go far beyond any measures that you can take of the kind suggested here. The President has to be careful when he speaks.

The CHAIRMAN. That is what I say. If the President were to announce on January 1 that there would be a terrible reduction in employment in July 1946, the stock market would immediately reflect that statement by dropping many points in 1 day.

Mr. FLANDERS. Yes, and the banks would begin to call in loans; the manufacturers and merchants to check up on their inventories, and other things.

The CHAIRMAN. And the banks would quit loaning money.

Mr. FLANDERS. Yes; and another thing would take place. I was very much impressed by something General Wood told me once a few years ago. In the fall of 1937 Sears, Roebuck did what it always has done. It made an estimate of the agricultural income of the country and then they based their commitments for purchases on that estimate. Well, in 1937, agricultural prices were at their peak. They were pretty good. They did not have bumper crops but they had good crops and that combination of fairly good prices and fairly

good crops meant good agricultural purchasing power and they placed their orders in accordance with it. But when they got along in the end of the year and into the next year, January and February 1938, the stuff that they had bought was not moving. So they sent out their investigators to find out what the trouble was and the report came back, and this would be a typical instance. Mr. Jones out in Iowa, with plenty of money in the bank, and Mrs. Jones are discussing whether to send to Sears, Roebuck for linoleum for the kitchen. The linoleum down was pretty well worn. They have the money and need the linoleum, but the farmer says to his wife: "I do not know. I have been reading the newspapers and listening to the radio and it looks like we have a depression coming along, and I think we had better hold off buying that linoleum. At least we can let it go a year."

So it is not merely the effect of the banks and the manufacturers and the books of the merchants, but it is the effect of the ordinary purchaser.

The CHAIRMAN. Or he might have decided to use that money to take a vacation.

Mr. FLANDERS. Yes, and spread it into the system another way than by buying linoleum. I thought that was an interesting instance, and that is the way they figure the drop-off of sales occurred in 1937, largely in their case on account of the consumer psychology.

The CHAIRMAN. Fear of a depression.

Mr. FLANDERS. Yes, sir; the sole responsibility indeed does not lie with the Government. Duties likewise and with equal seriousness lie on business, organized labor, agriculture, and the individual job seeker. In my testimony before the Senate committee on August 23, I endeavored to outline these responsibilities, which must be adopted if a high level of productive employment is to be attained. Your attention is respectfully directed to the record of this testimony. Likewise worthy of your attention is the testimony of Paul Hoffman, chairman of CED, on August 30, and Beardsley Ruml, a fellow member of the CED research committee, on August 24. As a result of the Senate hearings and debate on the floor, the amended S. 380, in my opinion, comes much nearer to recognizing the various steps involved than did the bill in its original form, which is now before you. It is likely that you also will wish to make such alterations as will render this legislation more effective.

The whole task to which the Congress is addressing itself really goes beyond the scope of this bill, except as referred to incidentally in lines 12-20 on page 5 of H. R. 2202. The subjects listed therein are not incidentals, but constitute the very heart of the problem of bringing unemployment under control. This matter is discussed more in detail in a recent policy statement of CED entitled "Toward More Jobs and More Freedom." I would refer you particularly to pages 5, 6, and 7 of that document, copies of which have been distributed to you. I think you have that.

The CHAIRMAN. Yes.

Mr. FLANDERS. An important recommendation of this policy statement is that the joint committee of Congress, called a Committee of the National Budget in your bill, should become a Committee on Full Employment, thereby recognizing that the national budget is only a

small part of the field which must be covered in solving the problem with which it is concerned.

There is further recommended the immediate appointment of a President's Commission on Full Employment. This Commission should be headed by a representative of the President. It should be a small working body composed of the ablest men to be found. Its members should be chosen as representatives of the general public interest (particular economic groups or viewpoints can be represented through advisory groups). The Commission should be serviced by a staff of the most competent authorities in the various fields. It should make policy recommendations to the President periodically, beginning as promptly as possible. It should lay the groundwork for the development of a continuing and coordinated program of Government action.

The Full Employment Commission should be responsible for the prompt development of recommendations outlining in detail the responsibilities which the Federal Government should assume in achieving and maintaining full employment. It should also be responsible for the prompt development, for consideration by the legislative and executive branches of the Federal Government, of a comprehensive, unified, and forward-looking program of measures for meeting those responsibilities.

The cooperation of the Joint Committee on Full Employment and the Full Employment Commission provides, we believe, the soundest way to attack the problem of unemployment.

The bill you are considering can become a landmark in man's long warfare against the evils of idleness and poverty. But if its potentialities are to be realized, it must be supported and implemented by the development of a realistic program for meeting this central economic problem of our time.

The CHAIRMAN. Mr. Flanders, I have some fear about some of the things in this bill. I am for planning, but I am just wondering if it is possible for us to assure continuing full employment by pledging the Federal Treasury to take up slack to provide jobs. I am just wondering whether we should lead the people to believe that every person was entitled to a job and could secure a job on a particular project at the prevailing wage.

Mr. FLANDERS. Well, that question is a very serious one. It can be partly solved provided the amount of unemployment which has to be taken care of by Government expenditure is kept to a very small minimum. After all the other things which have to be done to maintain employment are leveled down, in my judgment, then I think, as I expressed here, the solution of mass unemployment by Government expenditure does involve wage and price controls and the control of labor, too, of course; and it does involve a very great increase in the national debt.

The CHAIRMAN. It could lead to the necessity of limiting production.

Mr. FLANDERS. Yes; it can lead us very far away from our ideals of the relations that should exist between the Government and the individual. Now I like to take, in thinking or talking, the view that if Government and industry and labor and agriculture and all these people that consume, play their part, that the mistakes of which Mr. Mosher was speaking when I sat back here, the mistakes of private in-

dividends and the mistakes of Government which result in irregularities would perhaps not be so large but what Government expenditures in some form can be useful, but that is only in case those irregularities are comparatively small.

The CHAIRMAN. The Director of the Budget made some studies and surveys and estimated the number of unemployed for next year, and he estimated that it might be, I think, 8,000,000.

Mr. FLANDERS. That is a pretty high figure.

The CHAIRMAN. Yes; that is a pretty high figure, and if the Federal Government would undertake to furnish jobs for those 8,000,000 people at the prevailing rate of a decent standard of living, which some of the proponents of the measure say is \$3,075 a year for a family of four people, that would require an expenditure of over \$24,000,000,000 of Federal funds next year. Do you think we can continue to spend that much money over and above our normal expenditures and remain solvent?

Mr. FLANDERS. No; that I would think of as an impossible situation; and, of course, we are talking about a temporary situation of that sort were to become as nearly permanent as it did in our depression years, we would meet with somewhat similar tendencies to revise and alter our scheme of Government, and all the pressure for centralized control would start in again, and probably on this second impulse would go further than they have gone before.

The CHAIRMAN. And every time the Federal Government establishes controls we lose some of our liberties.

Mr. FLANDERS. Yes; and instead of looking on the fearful side of this, I like to look on the possibilities of doing a job. I believe it is by no means impossible that business and labor and agriculture and the Government can do the job, and it is possible to clearly define those jobs and all could participate in the joint operation with the joint committees of Congress which would be set up to work up the whole problem instead of simply that part of it having to do with what was taken care of at Government expense.

The CHAIRMAN. Take a copy of H. R. 2202 and look at subparagraph "(e)" on page 3, which reads as follows:

To the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment.

Don't you think the bill would be improved and a lot of the fears removed of a number of people if that paragraph were stricken from the bill?

Mr. FLANDERS. Yes; but, after all, the bill was originally built about that paragraph, wasn't it?

The CHAIRMAN. Yes, sir.

Mr. FLANDERS. That is the trouble about it. It was originally built about that paragraph. I wonder if you may not want, in revising this bill, to build it around an acceptance of the full responsibilities of the Federal Government and the problems that the Federal Government has to take care of, rather than center it around that single purpose.

The CHAIRMAN. There is no an assured guarantee of jobs.

Mr. FLANDERS. No.

By the way, I thought I had it here but I do not. I made a suggestion as to the right to a job which Mr. Vinson afterwards picked up and approved. If I can remember the wording, it is this:

Any man out of work has a right to expect that his own best efforts to get a job will be supplemented by all appropriate and effective equities on the part of other elements of society, including business, organized labor, and particularly the Federal Government.

The CHAIRMAN. Good. A job that can be done, in your estimation, in our efforts to obtain full employment; it will be strengthened by striking out paragraph E of section 2 of the bill.

Mr. FLANDERS. I think it does harm to it, and that is not the only thing either.

Mr. Ruml had an interesting idea, which seems to me to be a good idea, that the Government acting along the line of this second paragraph might be able to balance out the construction industry, just that one factor of our economy, and might be able to balance that; and in balancing that they would be doing much more than balancing that because the construction industry is one of the things whose ups and downs affect our whole economy tremendously. I think there is an idea there which is worth considering.

Mr. CHURCH. What do you include in the construction industry?

Mr. FLANDERS. I include in the construction industry what you find in the Dodge Reports of Engineering Construction and Building Construction.

The Dodge Reporting Service gives the total of bids advertised on engineering construction, business building, manufacturing building, housing, building on canals and waterworks, all that sort of thing; in general building and every construction—highways. The suggestion is this, and this is Mr. Ruml's suggestion. I have not given a study to it but he has and I am just passing it on, that by concentrating Government construction in those fields in the times when private construction in those same fields is light, it might be possible to balance that industry; so that the most the Government can expect to do with this paragraph (e) would be to even out the ups and downs in the construction industry.

Mr. CHURCH. But Congress now considering public works, including post offices and other Federal buildings.

Mr. FLANDERS. Yes, sir.

Mr. CHURCH. In large amounts. This program has been delayed since before the war.

Mr. FLANDERS. Yes.

Mr. CHURCH. Yesterday the House passed an air-field bill where the Federal Government matches funds with each State for the air-field construction.

Mr. FLANDERS. Yes.

Mr. CHURCH. Those are public works programs. There are also rivers and harbor projects and bridges.

Mr. FLANDERS. Yes.

Mr. CHURCH. In these the Federal Government matches State funds.

Mr. FLANDERS. Yes, sir.

Mr. CHURCH. Those are construction programs planned by the Federal Government working with the States; but you do not mean—

and Mr. Mosher certainly did not mean construction having to do with private buildings.

Mr. FLANDERS. Well, supposing private building drops low, then the type of thing you have been speaking about that has postponable items in it—some of those items are not postponable, but some should be thrown into the market when private construction runs low. That was the idea.

Mr. CHURCH. Yes.

Mr. FLANDERS. All of those things you mentioned are not easily postponable.

Mr. CHURCH. Suppose this program was limited to that, the so-called construction items. Do you envision the cost of preparing statistics that would be reliable enough for the committee to depend upon? I would like to get your idea as to the cost of that kind of statistics for a program such as that which you suggest.

Mr. FLANDERS. Yes.

Mr. CHURCH. And the cost of reliable statistics and figures and planning that this H. R. 2202 would call for.

Mr. FLANDERS. I am not particularly competent in this field, but I do know this; that the gathering of statistics in this particular field is now carried on in private industry on a very large scale and with a great deal of detail. I mentioned the Dodge reports, for instance.

Mr. CHURCH. Yes.

Mr. FLANDERS. There is sufficient information on the part of the contractors the country over, since they subscribe to these reports and support thereby a very large statistical organization. They do it for business reasons. These reports give them some idea of the ups and downs of the construction industry and from these reports to some extent there can be determined the amount of Federal employment that may be required at any particular time. As to what would be necessary, I think we should have a sufficient reserve on the shelf, but I would prefer referring that to some one who has made a special study; and, as I say, Mr. Ruml has made a special study of that and I have not.

You see, my whole idea is that you have here something that is a good foundation on which has been put in this paragraph (e) on page 3 a very handsome stone, but that stone does not make the building. That, in brief, is what I have been trying to say, and we do not want to stand off and admire your foundation and this handsome stone in paragraph (e) as though we had built a complete, admirable structure, because we have not.

Mr. CHURCH. Referring to section 2b on page 2 where it says:

All Americans able to work and seeking work have the right to useful, remunerative, regular, and full-time employment, and it is the policy of the United States to assure the existence at all times of sufficient employment opportunities to enable all Americans who have finished their schooling and who do not have full-time housekeeping responsibilities freely to exercise this right—

Who is going to determine the remuneration? Who is going to measure that throughout the Nation?

Mr. FLANDERS. I prefer my own definition of that right.

Mr. CHURCH. What do you think about that?

Mr. FLANDERS. Who is going to determine those rights and the kind

of work? I doubt if it can be done, except in the presentation of job opportunities, and those job opportunities will not satisfy a great many people owing to their location, owing to the kind of work, and other things of that sort.

The situation, I think, will turn out to be this: That as private industry and the Government are more and more successful in reducing unemployment, we will find that the residuum unemployment is more and more difficult to handle because it will be made up of special cases. Some of the people will, no doubt, be of the unemployable character because of some peculiar quirk in their make-up. Some people will be in specific locations where it is difficult to do something for them. Some of them will have specific trade skills, the demand for which is decreasing. Thus you will find at the bottom of your pot of unemployment all the problems. All those problems will be accumulated in your last two or three million, and it may be when you get to that we will want an analysis of that situation and to devise specific remedies for this multitude of specific cases, rather than expecting to solve them all by a general situation.

MR. CHURCH. You heard the testimony of Mr. Mosher a while ago?

MR. FLANDERS. I heard the last part of it.

MR. CHURCH. Did you hear where he pointed out there were numbers of persons in his town that he knew about that never would work or could not work or did not want to work productively.

Now, is a bill like this apt to mean that the Federal Government will hold out encouragement for that sort of person, so that he will feel that he has the right to look to the Federal Government for work at a certain definite scale of wages?

MR. FLANDERS. It would so seem.

MR. CHURCH. He is guaranteed the right to full employment?

MR. FLANDERS. "Job opportunity" is a better way to put it than "employment."

MR. CHURCH. How much will he do on any job? He has the job opportunity if he goes to work.

MR. FLANDERS. Yes, we are going to have a certain percentage in this residuum of the unemployed who cannot be taken care of, and under free economic employment they must be treated as special cases.

I have in mind a friend of mine who, with a neighbor, employs a man who works on their shrubbery, and so forth. Now this man goes on a bat starting Saturday night and shows up Thursday morning every week. Thursday, Friday, and Saturday he is all right. He is perfectly satisfied with his way of life. It is the way of life he has chosen, and it so happens that he fits into the schedule of my two friends. They are perfectly satisfied with this man's way of life, but it does not fit into this picture. A man who wants to go on a bat every week, 3 or 4 days a week, does not quite fit into this picture.

MR. CHURCH. What about the "freedom" in this program?

MR. FLANDERS. He is free now.

THE CHAIRMAN. He is not seeking any more work.

MR. CHURCH. He works most of the week, doesn't he?

MR. FLANDERS. Only about 3 days a week. I guess he isn't seeking work. However, if my two friends should decide not to employ him, he probably would be seeking work and he could not take work that

would be offered under normal conditions. He would have to find some sort of a special situation like that which he now happily enjoys.

Mr. CHURCH. That is an opportunity.

Mr. FLANDERS. Yes, it is his type of opportunity.

The CHAIRMAN. It gives him an opportunity to enjoy the liquor he buys.

Mr. FLANDERS. That is right.

The CHAIRMAN. Is there anything further?

Mr. FLANDERS. No, Mr. Chairman.

The CHAIRMAN. We thank you for your statement.

The committee will stand adjourned until Tuesday morning at 10 a. m.

(Thereupon the committee adjourned, to meet on Tuesday, October 23, 1945, at 10 a. m.)

FULL EMPLOYMENT ACT OF 1945

TUESDAY, OCTOBER 23, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS,
Washington, D. C.

The committee met at 10 a. m., Hon. Carter Manasco (chairman) presiding.

The CHAIRMAN. The committee will come to order. This morning we have Mr. George Terborgh, research director of the Machinery and Allied Products Institute. You may proceed, Mr. Terborgh.

STATEMENT OF GEORGE TERBORGH, RESEARCH DIRECTOR, MACHINERY AND ALLIED PRODUCTS INSTITUTE

Mr. TERBORGH. Mr. Chairman and gentlemen of the committee, let me express, in behalf of the Machinery and Allied Products Institute, which I represent, our appreciation of the opportunity to comment on the full employment bill of 1945. We consider this one of the most important legislative proposals of recent years.

We understand that three different versions of this bill are before the committee, and that testimony is invited on all. One draft, S. 380, was introduced in the Senate on January 22 last and referred to the Committee on Banking and Currency. It was substantially amended by that committee before it was reported to the Senate and was further amended on the floor prior to passage, coming to the House and to this committee on October 1. Another draft, H. R. 2202, introduced in the House on February 15 and referred here, is identical with S. 380 before amendment. Another House bill, H. R. 4181, sent to this committee on September 25, is identical with H. R. 2202, save for a few minor additions. For the sake of simplicity and convenience, I shall confine my remarks entirely to S. 380 and H. R. 2202. These represent the same basic proposal at two stages of its evolution, the House bill reflecting the form in which it was originally introduced in both Chambers, the Senate bill incorporating subsequent amendments.

Rarely have the broad objectives of a legislative proposal enlisted more universal sympathy and support than those of the bills now before the committee. Their declared purpose is to assure the continuous full employment of the Nation's labor force within the framework of a system of free competitive private enterprise, surely a consummation devoutly to be wished. In the language of the House bill—

It is the policy of the United States to foster free competitive enterprise and the investment of private capital in trade and commerce and in the development of the natural resources of the United States.

The Senate version declares that—

It is the responsibility of the Federal Government to foster free competitive private enterprise and the investment of private capital.

Needless to say, the Machinery Institute concurs wholeheartedly in this purpose. Disagreement and criticism can relate only to means, not to the end itself.

Mr. HOFFMAN. Pardon me, Mr. Chairman—you say that disagreement can relate only to the means and not to the end. This bill proposes that the Federal Government take up the slack of unemployment. Do you mean to say that you approve of the Federal Government furnishing the money to provide jobs?

Mr. TERBORGH. If you will permit me to develop that point in my statement—

Mr. HOFFMAN (interposing). I know, but you made the broad general statement, and I wondered if you meant it.

Mr. TERBORGH. I mean that we agree with the broad purpose of the bill as I stated it, to maintain full employment and production within the framework of an economy of free enterprise.

RESPONSIBILITY OF GOVERNMENT

We believe the first responsibility of Government in the pursuit of sustained, high-level employment is to secure and maintain basically favorable conditions for private enterprise. This view is developed in a recent institute publication, the *Bogey of Economic Maturity*:

The system of private enterprise is either dynamic or it is a failure. It is the first task of economic statesmanship, therefore, to create under the altered social, political, and economic conditions of today an environment hospitable to enterprise, sympathetic with its incentives and necessities, sanctioning its rewards. For this will prove in the end the only protection against the continued encroachment of public production and investment.

While the achievement of basically favorable conditions for risk-taking and enterprise is the first task of economic policy, in our view the responsibility of Government does not end there. Our economic system has displayed historically a tendency to instability, with periodic depressions, even in the most favorable environment. While there are many ways by which business itself can contribute to stabilization, and while these should be fully explored and developed, we must acknowledge that such measures are likely to be insufficient, and that Government must also play a role in mitigating the natural fluctuations of the economy. Both bills are on sound ground in emphasizing the desirability of Federal action in this field.

While we thus accept Federal participation in principle, we must emphasize that the art of business stabilization is in its infancy. There is still vigorous controversy over the proper administration of even such long-established Federal powers as the control of money, banking, and credit. There is equal controversy over the correct application of Federal authority over taxation, labor, monopolies, agriculture, foreign trade and investment, and the like. The proper coordination and administration of policies in these fields to secure the maximum of sustained employment will have to be learned by trial and error, over a period of decades. It is a delusion to think that the Government has already mastered its role in business stabilization.

We must never forget that our problem is not simply to attain a continuous high level of employment by any means and regardless of cost. As usual, we are compelled to choose among conflicting values. Our goal is high and sustained employment in a free economy. We cannot assume because certain totalitarian states have maintained full employment in an environment of all-pervasive economic controls, that we can achieve at once the same result in an environment of freedom. Neither can we assume that the high level of employment experienced in this country in wartime, under wartime controls and regimentation, proves we can maintain it continuously in peace with the controls removed. Our real goal, continuous high employment in a free society, is one which no country has yet attained, but which all free countries must seek. That none has yet progressed far along the road is evident from even a casual reading of various white papers on full employment policy.

The institute has no illusions that this road will be an easy one, or that the goal will soon be attained. But neither does it despair of eventual success. Its position has been stated in a recent publication, an *Appraisal of the Fatalistic View of Capitalism*:

Fear of a recurrence of the great depression has come to be a specter that haunts even our feasts, like Banquo's ghost. That such a catastrophe must be prevented is an axiom of present-day politics. It is axiomatic also that Government must play an important role in this undertaking, a role that will break new ground and raise problems of exceptional difficulty. To exercise the specter of depression, by means that preserve the autonomy of private enterprise and leave its vitality unimpaired, is the greatest challenge to the economic statesmanship of this era, a challenge that can be successfully met only after much fumbling and groping, much trial and error, much painful experience. But that it will be met, there is every reason to hope, and much reason to believe.

THE SPENDING PANACEA

Both bills under consideration admonish the Federal Government to develop and pursue a carefully planned program covering all aspects of economic policy. In the words of the Senate bill, it is to cover—

taxation; banking, credit, and currency; monopoly and monopolistic practices; wages, hours, and working conditions; foreign trade and investment; agriculture; education; housing; social security; natural resources; the provision of public service, works and research; and other revenue, investment, expenditure, service, or regulatory activities.

Just how these numerous functions and activities—most of them embroiled in controversy among experts and all of them subject to political pressure, are to be neatly coordinated in the pursuit of full employment, neither bill offers the slightest hint, nor is there evidence that their proponents have any idea. It appears, indeed, that the enumeration is perfunctory, and that the real reliance is placed on "Federal investment and expenditure." It is on this and this alone that the so-called guaranty of full employment rests.

It is clearly taken for granted in the House bill that if the Government cannot generate and maintain a state of continuous full employment by other means it can always fall back on "investment and expenditure" to fill the gap. It is assumed, therefore, that with the possession of this omnipotent instrument, this sovereign economic panacea, the Government is in a position to guarantee perpetual full

employment and to endow its citizens with a new natural right—the right to a job.

To the extent that continuing full employment cannot otherwise be achieved—the bill declares—

it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment.

The institute's position on Government spending as an economic remedy is well presented in the *Bogey of Economic Maturity*, to which I referred earlier.

It is as if they (the advocates of Government spending) had discovered an economic panacea, to be applied indiscriminately whenever anything is wrong, regardless of the nature of the malady. They appear to have lost interest in other remedies or in efforts to correct the specific maladjustments that generate under-spending. Instead, these maladjustments are simply to be overridden or smothered by an outpouring of governmental expenditure. This oversimplification represents one of the most ominous delusions of the present day. There is a world of difference between the proper use of deficit financing, conjoined with policies calculated to minimize the need for it, and its improper use as a panacea. Applied as an economic cure-all, with no attempt to rectify by other means the underlying difficulties that make its employment desirable, it is a dangerous device.

We do not question that compensatory fiscal policy may provide at times a useful, and even necessary, measure of contracyclical action. The day has passed when Government can deal with depressions simply by whistling or wringing its hands, and this device should be included in the armory of weapons it can deploy. It would be the grossest self-deception, however, to think that we have at present either the knowledge, the experience, or the institutional mechanisms to apply this weapon in a closely controlled and scientific manner. * * * To conceive of this device as a simple and all-sufficient mechanical solution for our economic ills is simply naive.

We should be the last to question the desirability of varying Government spending in such a manner as to exert the greatest practicable influence on the stabilization of economic activity. We must remember, however, that the bulk of the Federal outgo (and this is true in State and local administrations as well) consists of fixed charges or relatively stable items not subject to marked contracyclical variation. For this reason the discussion of compensatory spending usually centers largely on public works. But not only is there a decided limit to the volume of public construction that can be developed without resorting to boondoggling projects, on the one hand, and without encroaching on private industry, on the other; there are narrow limits also to the possibility of hoarding during prosperity a backlog of first-class projects for use in combatting unemployment during depressions. Unless the decision as to the timing of State and local public works is effectively federalized there is but limited possibility of the accumulation, in anticipation of a future depression, of any sizable volume of non-Federal public-works projects which local jurisdictions are currently ready and willing to pay for. Moreover, most major public construction projects are so slow in getting into full-scale operation, and so difficult to cut off short of completion, that they provide at best a tardy and clumsy instrument of contracyclical policy.

The bill refers, of course, to "Federal investment and expenditure," which we take to be synonymous with spending for public works and for other purposes, respectively. The nature of possible noninvestment expenditure is indicated only in the most general way—"for public

services, for assistance to business, agriculture, home owners, veterans, consumers, or for other purposes?" (Senate bill). No one knows what this may mean in practice, but certainly we have not the slightest warrant at present for assuming that such expenditure can provide by its volume and flexibility an assured basis for guaranteeing continuous full employment.

There is no determinate and predictable relation in practice between a given increase of Government spending, whether for public works or otherwise, and the reaction of the economy to it. It is impossible therefore to say how much will be needed, in particular circumstances, to produce full employment. But this is not all. Even if we had readily available an unlimited volume of expenditure, and were determined to release it to any extent necessary, after the manner envisaged in the House bill, we could very well find ourselves financing an inflation instead of full employment. If we were determined to go on, we would be confronted with the necessity of imposing wage and price controls in time of peace, to remain indefinitely.

This is not a fanciful predicament. In 1936-37 we encountered a rapidly ascending wage-price spiral with 7 or 8 million still unemployed. In 1941 we again hit the grade with 5 or 6 million out of work. In the first instance we suffered a sharp collapse (during the fall of 1937) in consequence of the maladjustments this inflationary movement engendered. In the second, the demands of our military program being insatiable, we avoided the collapse, but were driven inexorably to compulsory wage and price controls. The necessity for these controls was evident before unemployment declined even to 5 million. Government spending is not something that can be turned on and off with nicely calculated results and without risk, as an engineer might manipulate a valve. Much less can it be the basis of a full employment guaranty, in a free economy, as the House bill assumes. The idea is a gross and dangerous delusion.

The Senate bill also contains a mandate for the Federal Government to spend whatever is needed to maintain continuous full employment, but it carries a proviso, added as an amendment from the floor, that spending is to be "consistent with the needs and obligations of the Federal Government and other essential considerations of national policy." The effect of this amendment is to remove spending from the role of a backstop device of last resort, on which the Federal Government is to go all out if necessary, and to convert it simply into one measure of economic policy among others, to be used, like the rest, in the judgment and discretion of the responsible policy makers.

While the amendment constitutes a notable gain for realisms and common sense, in our opinion, it does not go far enough. Because it was introduced from the floor, there was no opportunity to revise the language of the context to reflect fully the change in meaning. Instead of attaching a nullifying proviso to a mandate for unlimited spending, it would be better to eliminate both the mandate and the proviso, leaving spending on a parity with other implements of full-employment policy. We recommend, therefore, that it be simply enumerated with other measures which go to make up the economic program of the Government, without special emphasis or position.

The CHAIRMAN. Doctor, I think that proviso would be interpreted to mean that while the President will transmit a recommendation for raising taxes, Congress does not have to follow that recommendation.

Mr. TERBORGH. That is another proviso, Mr. Manasco.

The CHAIRMAN. I call your attention to page 5 of the Senate bill, line 6, the proviso there.

Mr. TERBORGH. I am referring to Senate bill 380, page 4, reading now from paragraph (4):

to the extent that continuing full employment cannot otherwise be attained, provide, consistent with the needs and obligations of the Federal Government and other essential considerations of national policy, such volume of Federal investment and expenditure as may be needed, in addition to the investment and expenditure by private enterprises, consumers, and State and local governments, to achieve the objective of continuing full employment.

It is the proviso in that paragraph that I am referring to at the moment.

The CHAIRMAN. That is on page 5, line 6?

Mr. TERBORGH. No, page 4, line 8.

The CHAIRMAN. Page 4, line 8?

Mr. TERBORGH. I will be glad to discuss that other proviso later, if you wish.

RIGHT TO A JOB

Says the House bill:

All Americans able to work and seeking work have the right to useful, remunerative, regular, and full-time employment, and it is the policy of the United States to assure the existence at all times of sufficient employment opportunities to enable all Americans who have finished their schooling and who do not have full-time housekeeping responsibilities freely to exercise that right.

Here, surely, is one of the most extraordinary definitions of full employment ever coined.

Mr. GIBSON. You might carry it a little further and refer to it as childish.

Mr. TERBORGH. Well, that is your language, Congressman.

Here is a definition which goes completely beyond the bounds of possibility. Everyone is to have at all times "useful, remunerative, regular, and full-time" employment. The proponents of the definition seem wholly unaware that there are millions of jobs in this country of a purely seasonal character, and other millions that are only part time. Is every American to have "regular and full-time" employment in lieu of such jobs? Who is to be the judge of whether a job is "remunerative"? Is everyone entitled to a job that meets his own standards and requirements in this respect? Is he entitled to a job in his own skill or occupation? Can he claim the right to employment in his own community?

If full employment means that everyone has a regular, full-time job, at a remuneration satisfactory to himself, in an occupation and location of his own preference, then it may be put down as an impossibility—in a free society or any other. Certain totalitarian states have attained what passes for full employment, but it is not of this character. It has been accompanied by impressment in labor camps, the forcible transfer of workers from one vocation or region to another, the compulsory prescription of wage rates, and other forms of duress and coercion. This is not what the framers of the House bill have been dreaming about.

The sooner we come down to earth in the definition of "full employment," the better for our understanding of the problem. We must recognize that there are always some people unemployed because of

shifting between jobs, some by reason of the seasonality of their occupations, some because of the decline of particular industries or establishments, some because their skills are in surplus, some from lack of any skill, some from defects of character or personality, some because they are in the wrong geographical location, and so on. The tightest labor market of the war left three quarters of a million unemployed at any one time, and the best labor market that we can hope to maintain in peace without wage and price control on the one hand or inflation on the other will certainly leave a substantially higher figure than this. Even in the best years of the twenties unemployment was estimated at one to two millions. A practical definition of full employment does not assume therefore that those seeking work must be employed 100 percent at all times, much less that they must all be engaged in remunerative, regular, and full-time employment. It presupposes a reasonable "float" and a certain residue of unemployables. When I use the term "full employment" hereafter it is with this meaning, not the meaning implied in the House bill.

It is an elementary principle of law that every right imposes a correlative duty or obligation, without which it is meaningless. Obviously, it is meaningless to confer on every American able to work and seeking work the right to a job unless by so doing we impose somewhere the duty to provide the job. On this point the bill is less than forthright, since it refers to the policy rather than to the obligation of the United States to provide opportunity freely to exercise this right, but the impression it seeks to create is clear: the Federal Government assumes the responsibility for guaranteeing jobs for all.

If this guaranty means anything, it means that anyone unable to find useful, remunerative, regular, and full-time private employment is entitled to demand employment by the Government. The willingness of the sponsors of the bill to saddle the Government with this obligation rests, as I have already pointed out, on the notion that in a pinch we can always resort to Federal investment and expenditure to any degree required to give everyone a job. Since this idea is a delusion, if we are to maintain a free economy, talk of the right to a job, unless discounted simply as demagogic eyewash, is cruel deception.

The Government should not make promises on which it cannot deliver. To confer rights that are not enforceable is certain to lead to popular resentment and will create pressure for action, at any cost and at any risk, to make good the Government's self-imposed obligation. The Federal administration should be under mandate to do its utmost to mitigate economic instability, consistent with other values and objectives, but it should not be, at this stage in the development of the art of business stabilization, under mandate to achieve perfection.

The Senate bill eliminates the language of the House draft which purports to establish the right to a job. It asserts instead that "All Americans able to work and seeking work are entitled to an opportunity for useful, remunerative, regular, and full-time employment, including self-employment in agriculture, commerce, industry, or the professions."

This language, though a signal improvement, is still tainted with the implication it attempts to avoid. When we say that every American is entitled to an opportunity for employment do we mean something different from the proposition that he has a right to employ-

ment? Are we conferring upon him by this statutory declaration an attribute of citizenship he does not now possess? Or do we mean simply that every American has the right to look for work? If we are endowing him with the right to obtain, rather than simply to seek, employment, whose is the correlative duty to provide the employment? Against whom is the right enforceable?

If it is the Federal Government that assumes the duty without which the right is meaningless, we may as well go back to the language of the House bill. If, on the other hand, we do not intend to lay upon the Government unconditionally the responsibility to guarantee everyone a job at all times, why retain the ambiguous phraseology? Surely it is better to say directly, simply, and honestly what we really mean, simply that we acknowledge and declare the responsibility of the Federal Government to do its utmost, consistent with other obligations and objectives, including the preservation of a free economy, to promote and maintain full employment.

The institute recommends that the bill be purged of all language reflecting the right-to-a-job idea. Even the language of the Senate bill, now watered down to meaningless obscurity, is quite capable of engendering misunderstanding and false expectations. We recommend further the elimination of all expressions implying the obligation of the Federal Government to guarantee or assure—rather than to promote—continuous full employment.

The CHAIRMAN. Subsection (b) of section 2, which you have just referred to, in line 5 you find the following: "including employment in agriculture, commerce, industry or the professions." Could not that be interpreted to mean that a fellow who wanted to practice medicine in the State of Illinois but had not passed the medical board examination, in spite of that he could practice medicine anyhow?

Mr. TERBORGH. Frankly, Mr. Manasco, I don't know what the language does mean. I don't pretend to know. That is my point exactly.

The CHAIRMAN. It could be interpreted that way, could it not?

Mr. TERBORGH. Yes, I suppose so.

The CHAIRMAN. So that a man might be able to practice medicine although he has never been a medical student?

Mr. TERBORGH. It is perniciously obscure. What we favor is purging the bill of all language reflecting the right-to-a-job idea. We recommend further the elimination of all expressions implying the unconditional obligation of the Government to guarantee or assure—rather, to promote—continuous full employment.

Mr. RICH. I would like to ask a question in reference to that guaranty of full employment, if that isn't one of the finest lulling phrases that anyone could possibly put together in words, making people believe that it was just the easiest thing in the world to do a certain thing to give full employment, but they have no knowledge of the difficulties which that would naturally bring upon the Congress, if those words were enacted into law, guaranteeing full employment.

Mr. TERBORGH. If I thought the Federal Government could make good on that guaranty without sacrificing other things that it held more important, I would be in favor of it.

Mr. RICH. Have you read the Socialist platform that they have adopted for the benefit of the American people?

Mr. TERBORGH. Not recently.

Mr. RICH. Well, it is the finest piece of reading I ever read in my life, and I am for it 100 percent, but it is just as impractical as this would be.

Mr. TERBORGH. Nobody knows what the practical effect of this bill would be, whether passed in the House version or the Senate version, but I think it is very dangerous to sell illusions to the public. They are bound to boomerang some time.

Mr. HOFFMAN. May I interrupt and see if I heard right? You described something like this as the most impractical thing in the world, and you say you are all for it?

Mr. RICH. I say if you would read the Socialist platform, it is one of the finest sounding pieces of literature you ever read in your life. It promises all things to all people.

Mr. HOFFMAN. And you are for it?

Mr. RICH. Sure, I am for it, but it is so impractical that it is just impossible.

THE NATIONAL BUDGET

The House bill directs the President to submit annually at the opening of each regular session of Congress—in January—a national production and employment budget, consisting of seven elements: (1) An estimate for the ensuing fiscal year—beginning July 1—of the size of the labor force, the number of jobs needed for full employment, and the dollar volume of private and governmental spending required to produce that number of jobs; (2) a forecast of the volume of spending, private and public, actually in prospect for the fiscal year in the absence of any special measures or programs set forth in the budget; (3) the estimated deficiency, if any, of this expected volume of expenditure below full-employment requirements; (4) a program—not including increased Federal investment and expenditure—for reducing such deficiency; (5) an estimate of the effect of this program; (6) an estimate of the volume of Government spending, if any, required to eliminate the deficiency still remaining; and (7) specific recommendations as to how such spending is to be accomplished.

To anyone familiar with the art of business forecasting as now practiced, this is one of the most fantastic schemes ever propounded. Had it occurred to its sponsors to dig from the files of the executive departments and agencies a random sample of the confidential forecasts made in the past by Government soothsayers—there are literally thousands of such forecasts—they would have been quickly and conclusively disillusioned. As it is, they propose not only that the President forecast economic conditions for an entire fiscal year still 6 months away; he is to prepare a program predicated on this forecast and then say what effect it would have. Not only that, he is to divine further the increase in Federal spending, if any, required to supplement the predicted effect of the program on the predicted conditions. This is absurdity compounded.

Mr. HOFFMAN. Haven't we two examples of that when Hoover told us about two chickens in every pot and two cars in every garage, and then later on Mr. Roosevelt, along in 1936, told us we were on the road to industrial recovery and everything was fine, and then 6 months later it was all off again? They had everything at their fingers' ends that anyone could possibly have under this bill, didn't they?

Mr. TERBORGH. I happened to be—

Mr. HOFFMAN (interposing). You helped to make those forecasts?

Mr. TERBORGH. No; I happened to be an economist in one of the Government agencies in the spring of 1937, and I remember very clearly the doping that was going on at that time as to business prospects. Nobody called the turn on the crash in the fall of the year.

Mr. HOFFMAN. Well, President Hoover and President Roosevelt both tried it, and they both failed miserably, didn't they?

Mr. TERBORGH. Yes; certainly.

The CHAIRMAN. Of course, economists now are much more capable than they were at that time. [Laughter.] Could you give us a few more illustrations? You said there were lots of them. Give us some more.

Mr. TERBORGH. Well, take the present moment—if you want to come down to date. You can find in government service economists who believe that we are headed for an inflation, and others who believe that we are headed for deflation. You can find economists who believe that interest rates are going up and others that believe they are going to remain down.

The CHAIRMAN. Going back to 1941, in the latter part of 1941, when the automotive industry was being converted to wartime production, people in certain Federal agencies in Washington came before congressional committees urging the appropriation of large sums to take care of the great number of unemployed that would be thrown out of work in Detroit in the conversion period, and in a month's time you couldn't get enough people to fill the jobs up there.

Mr. TERBORGH. Yes. The situations can be multiplied, I sometimes feel that if there has been a successful forecast it is largely an accident. After all, they can't all be unsuccessful. As a pure matter of mathematics somebody is going to hit it.

The CHAIRMAN. You can take an almanac forecast a year ahead and they will hit it sometimes.

Mr. WHITTINGTON. You said that some Government experts have given forecasts that have been demonstrated to be incorrect, that some prophesied deflation when there was inflation. Can you give us some illustrations of those erroneous forecasts? Give us some concrete cases.

Mr. TERBORGH. I have in mind a concrete case, the forecast for the course of residential construction made at the end of 1936, which predicted a continuing rise in construction. What we actually saw was a decline beginning very early in 1937 and running through the rest of that year. That is the sort of thing that the Government files are full of, and my only point is that it is fantastic to premise Federal economic policy on somebody's guess as to what is going to happen in a year or 18 months ahead. It is irresponsible. If we are going to have a government stabilization policy, as we should have, it must be almost entirely based on a response to events as they develop, not on guesswork as to what is going to happen.

Mr. HOFFMAN. Mr. Chairman, may I interrupt there in answer to Mr. Whittington? You asked for a concrete example of a forecast. Here is one. These are the words:

Federal revenues are increasing; emergency expenditures are decreasing. A balanced budget is on the way.

That is President Roosevelt on October 21, 1936.

Mr. GIBSON. Read a little further on. Doesn't the word "out" follow there?

Mr. HOFFMAN. No; the word "out" was not in there.

Then over here, Mr. Whittington, in his fireside chat on March 9, 1937, only a few months later, proving that the forecast was wrong, President Roosevelt said:

I want to talk with you very simply about the need for present action in this crisis, the need to meet the unanswered challenge of one-third of a nation ill-nourished, ill-clad, and ill-housed.

There is one that went wrong.

Mr. WHITTINGTON. I agree with you about the prophesies of Mr. Roosevelt. I thought he could give some of these other concrete cases in the files.

Mr. HOFFMAN. Walter Ruther made the proposition that the Government should adopt his plan for reconversion. While the war was still on they wanted to show us how we could use all the industrial plants to give full employment. Don't you remember that? And examination showed that neither the machinery nor the plants was fitted for the things that he proposed to do. It was all in the air.

Mr. WHITTINGTON. I recall that.

Mr. HOFFMAN. The War Department took him around in a plane to explain his plan—it amounted to nothing—it was a fine example of a man who knew nothing of what he was talking about planning for others.

Mr. TERBORGH. In the Senate bill all of this prophetic activity for the forthcoming fiscal year has been abandoned save only the forecast for the size of the labor force, the number of jobs needed for full employment, and the aggregate of public and private spending needed to produce that number of jobs. The President is no longer required to forecast actual business conditions during the budget year, his mandate being simply to present current and foreseeable trends. The future period covered in this presentation may be a month or a day if he so judges the limitations of his prophetic insight. Moreover, he is no longer required to develop a program for the budget year but may limit the purview of his analysis and recommendations to any period he chooses, however brief.

The elimination of the fiscal-year business forecasting provisions of the House bill—save for comparatively simple projections of aggregate job and expenditure requirements for full employment—relieves the measure of a palpably ridiculous feature, but it does more than this. It virtually eliminates the national budget itself as originally conceived—an economic forecast and an economic program for the fiscal year, submitted 6 months before it begins. Without the forecast and the program predicated on it, the routine projections which are still required for the number of jobs and the aggregate of public and private spending required for full employment during the fiscal year are of little significance.

The fact is that in the Senate bill the so-called national budget is a hollow shell, if not a sham, an obvious vestige or survival from earlier drafts, where despite its practical absurdity it still had a formal existence. Here again we find the process of amendment changing the intent and meaning of the bill without a sufficient recasting of the surrounding language and provisions to produce an integrated and coherent whole.

We believe it would be more realistic, as well as more candid, to drop the outmoded and emasculated hang-over known as the National Budget, and say simply that the President shall submit quarterly to Congress a report on current economic developments, with an analysis of the economic outlook so far as it is discernible at the time, and shall outline policy and legislative proposals appropriate to his interpretation of current trends and their foreseeable evolution. This would accomplish everything the Senate version of the bill now proposes and would eliminate much ponderous verbiage and statutory mumbo jumbo. The institute recommends, therefore, that the bill be redrafted to omit all reference to forecasting and programming for the ensuing fiscal year, continuing and strengthening the requirement for quarterly reports. If the President wishes to prophesy a year ahead, he can do so at will in these quarterly analyses.

THE ORGANIZATION OF POLICY FORMATION

One of the curious features of both bills, little commented upon so far as I have observed, is the easy assumption that all economic proposals having to do with full-employment policy are to originate in the executive department of the Government. True, the special joint committee of the Congress is admonished to make a continuous study of matters relating to full employment policy and to consult with the President, but it is clearly taken for granted that the real initiative, as distinguished from the review function, shall lie with the White House. This is a fresh example of the abdication by Congress of its own proper function or originating legislation and legislative policy, in deference to the "papa-knows-best" tradition established during the last decade and a half. We think the Congress and the joint committee should have a more active and creative role in the evolution of Federal policy on economic matters, and that the formulation of such policy should not be left, simply as a matter of course, to Presidential leadership and initiative.

Not only does the bill appear to sanction an abdication of the proper responsibility of Congress; it makes no real contribution to the organization and administration of national economic policy in the executive branch of the Government. It states merely that "the National Budget shall be prepared under the general direction and supervision of the President * * *." Obviously, the President himself cannot give major attention to these activities. They must be delegated, therefore, to officials who remain anonymous in the bill.

The CHAIRMAN. The Bureau of the Budget?

Mr. TERBORGH. Well, not necessarily. That was in the first draft of this bill, as you remember, but it is now eliminated. It might be the Bureau of the Budget.

In consequence, both the economic analysis and the economic policy may be prepared and promoted by men unknown to the public, whose appointment has not been confirmed by Congress, and who have no formal public responsibility. This set-up invites behind-the-scenes manipulation by Presidential advisers of the moment, possessed, it may be, both by a passion for anonymity and a passion for controlling national economic policy. However able and high-minded these advisers may be, the arrangement is bad. If the Federal Government is

really serious about developing and implementing a full-employment policy—as it should be—it ought to make better organizational provision than is made in this bill.

What is needed, in our view, is a small independent commission, appointed by the President and confirmed by the Senate, whose responsibility it should be to make continuous study of the art of business stabilization through Federal action. Appointment to this commission should be for a long term of full-time service and should carry a sufficient prestige and emolument to commend the highest talent in the Nation. Provision should be made, of course, for an adequate staff, and for the full cooperation of other Federal agencies and departments. The commission should be required to issue periodic reports to the President, the Congress, and the public, giving both its findings and its recommendations for Federal policy, accompanied by a full statement of dissenting views.

We believe that an official commission of this character, insulated so far as possible from political pressure, and commanding the attention and respect of the Nation, can make an invaluable contribution to public understanding of the complex and difficult art of economic stabilization, and can have a most salutary influence on public policy, now too often dominated, in the absence of popular comprehension of the problems involved, by the self-seeking demands of minority pressure groups, and by the opinions and philosophies of a changing coterie of Presidential advisers, operating in the obscurity of the Executive Offices.

CONCLUSION

It is evident from what I have said that we consider the amendments embodied in the Senate bill as constructive and desirable. They are not, however, entirely adequate. The bill should be purged of its remaining vestiges of the right-to-a-job idea, its qualified but still persistent reliance on Government spending as a panacea, and the surviving remnants of its mandate for long-range (fiscal-year) forecasting. Relieved of these incongruous carry-overs from earlier drafts, the bill would boil down, save for its statement of objectives, to four essential features.

1. It is declared to be the responsibility of the Federal Government to foster private enterprise and to promote, by means consistent with this and other obligations and objectives, a high and stable level of employment.

2. In the light of this responsibility, the Government is admonished to develop, and to pursue consistently, an appropriate economic program. .

3. The task of evolving such a program is laid in the first instance upon the President, who is instructed to submit to Congress quarterly his analysis of economic conditions and trends and his recommendations for policy.

4. There is created a special congressional joint committee to review the President's proposals and report to both Houses thereon.

To these four features we have proposed to add a fifth, a national economic commission.

If amended as suggested, the bill can mark a beginning on the long road to the understanding and development of Government policy for

full employment in an economy of free enterprise. The institute believes that we should make such a beginning. But certainly we shall get nowhere by assuming that the Government has at present the knowledge and the means to enforce such a policy. We shall get nowhere by endowing our citizens with fictitious and unenforceable rights. By all means let the Government study and learn to apply the difficult art of economic stabilization, but let us not yield to the popular hysteria which demands perfection here and now. We may be confident that the recurrence of a major depression such as that of the thirties can be prevented, but it promises to be a long time, despite our best efforts, before we can eliminate economic fluctuations entirely, or attain the goal to which we all aspire, continuous full employment in a free society.

SUMMARY OF RECOMMENDATIONS

1. Eliminate all vestiges of the right-to-a-job idea, and all suggestions of a Government obligation to guarantee continuous full employment.

2. Eliminate the special position of "investment and expenditure" in Federal economic policy.

3. Omit all requirements for forecasting and programing for the ensuing fiscal year and strengthen the provision for quarterly reports.

4. Create a national commission for the study of Federal economic policy and for the drafting of policy recommendations.

The CHAIRMAN. Dr. Terborgh, the proponents of this bill have been making speeches and public statements urging the Congress to take time and give more study to what should be done with the atomic bomb, yet they are urging us to report this bill out immediately. Don't you think this bill probably has the potential danger of the atomic bomb and could destroy the liberties of our country in its present form?

Mr. TERBORGH. In the House form or the Senate form?

The CHAIRMAN. The House form.

Mr. TERBORGH. Well, as I said before, I don't think it is possible to predict just what the effect of the House bill would be. It is full of dangerous delusions. It is full of mandates that cannot be executed. It is, however, nothing but an authorizing or enabling act, and no specific consequences would follow except as Congress legislated later. It is a device for building up certain misapprehensions in the public mind, and therefore bringing pressure upon Congress later, when specific proposals come up, to make good the self-imposed obligations of the Federal Government.

The Senate form is pretty much washed down. It is full of very obscure language. It has a lot of hangovers from the earlier draft. It would be hysterical, however, to think of the Senate bill as a tremendously dangerous thing in its present form.

The CHAIRMAN. The argument has been made, "If you don't have anything better to offer, why don't you pass the bill?" Don't you think this argument is a little out of line when you say somebody might introduce a bill to limit freedom of the press to the members of certain religious organizations, that everybody in America is in favor of freedom of the press, and if we have a bill up here to limit

that freedom and some of us might say we are not in favor of that, would it be proper for us to offer to substitute for that bill?

Mr. TERBORGH. Quite right. The institute, however, as I think I have made clear, is for a bill——

The CHAIRMAN (interposing). But you would strike out everything after the enacting clause?

Mr. TERBORGH. Not at all, if I may differ. We have struck out——

The CHAIRMAN (interposing). You certainly would not want to leave the title in the bill?

Mr. TERBORGH. We leave everything in the Senate bill, except some modifications, of language by which we eliminate vestiges surviving from the earlier drafts.

The CHAIRMAN (interposing). All you would have left then would be a statistic gathering organization?

Mr. TERBORGH. No; we have left a deliberate and solemn declaration that it is the responsibility of the Federal Government to do what it can in this field.

The CHAIRMAN. We are already doing that.

Mr. TERBORGH. Furthermore, we create two instrumentalities to get going on that problem, this commission that we propose and the joint committee on Congress.

If you study either bill, there isn't a single mandate or directive in either one as to any elements of public policy other than spending. Isn't that correct?

The CHAIRMAN. That is correct.

Mr. TERBORGH. There is in the emuneration of things that are to be taken into account, or the areas of Government policy which are to be considered and on which programs are to be developed, not a single directive except in the one case of public spending. There the House bill started out with the theory that we had a panacea, and the Senate bill watered it down, but without eliminating the language which still reflects the belief in a panacea.

The CHAIRMAN. The President can now do everything that this bill provides except create a joint committee.

Mr. TERBORGH. That is true.

The CHAIRMAN. He can make any kind of forecast he wants to. He can forecast a depression or he can forecast a boom, if he wants to, without any enabling legislation.

Mr. TERBORGH. Quite right.

The CHAIRMAN. Don't you think it would be a little dangerous for a man who is a candidate for reelection to forecast in January a depression to take place in November?

Mr. TERBORGH. We are opposed to all the forecasting features of this bill, as you are aware. I don't suppose we need a statute to impose a responsibility on the Federal Government for doing what it can to stabilize business fluctuations. It has already assumed that responsibility. That is taken for granted now, isn't it?

The CHAIRMAN. There are hundreds of laws on that subject on the statute books now.

Mr. TERBORGH. The only really important innovation that this bill would bring about would be the two bodies which it would constitute, or the one body if it is nothing but the joint committee of Congress.

The CHAIRMAN. Doctor, is it fair to cite the war period as a period

of full employment? We had 12,000,000 men in the armed forces who would normally have been in peacetime production for consumer goods if they had been home; we had over two and a half million people on the Federal pay rolls who would have been in some peacetime production of consumer goods; we had twelve or fourteen million war workers. So you cannot cite the war period as a full employment period.

Mr. TERBORGH. Certainly it was not a period of normal full employment or a normal pattern of employment. But I want to make the point again that even if you waive that angle, it was not full employment as it is defined in this bill.

The CHAIRMAN. That is correct.

Mr. TERBORGH. There were at any moment during the war three quarters of a million people out of work and looking for work, and there was also seasonal and part-time employment.

The CHAIRMAN. The Budget Bureau has estimated we will have 8,000,000 people unemployed in 1946. That does not include the housewives who might not take all day to do their housekeeping work. As I understand the House bill, we provide jobs for those people if they are not engaged in full-time housekeeping. So we would have to add more. There might be several hundred thousand women who have got modern kitchens and they can complete their housework by 10 or 11 o'clock and not have to come back till 5 in the afternoon, so we might have to give them employment under this bill. Is that right?

Mr. TERBORGH. I am unequivocally opposed to the language of the House bill, as I say.

The CHAIRMAN. Now, about public work. As I understand the intent of this bill, the President ultimately will be given authority to freeze public works where they were not needed to give full-time employment. In other words, if we had a full production period when everybody was employed, and some city wanted to expand its waterworks system, the President, because that would interfere with the labor market, could stop that city from expanding its water system. Or they might want to build a swimming pool or playgrounds, public-school buildings, hospitals, but those public works might interfere with the labor market. Would you say you are in favor of such a proposal as that?

Mr. TERBORGH. I doubt its practicability, as I said in discussing that subject.

The CHAIRMAN. Of course, we would have to rely upon the cities to make certain expenditures, and counties and States, to give employment on public works. Do you think many taxpayers would want to vote bond issues and increase their indebtedness during periods of unemployment, in order to build some bridges and schools that they needed? It is just human nature to build those things at the time when everybody is making money.

Mr. TERBORGH. It is not only human nature, but it so happens that most of the urgent demands for State and local public works are coincident with private building booms. In other words, when there are lots of residential structures going up, when new communities are being laid out, the local authorities have got to run in sewers, water mains, and streets, and build school houses and hospitals and other appurtenances of a residential community. These are needed when the

residential construction is going on. It is exceedingly difficult to defer such work to some hypothetical depression, the date of which cannot even be named. It might be 5 years away or 10 years. Who knows? I don't think you can ask the local jurisdictions to defer immediately needed public improvements on such a hazard as that. I don't say that nothing can be done. There are many types of projects, which do not bulk so very large in the total, that can be deferred pending unemployment in the private construction industry.

The CHAIRMAN. Doctor, if men should want a job on a Federal works project or some project that is financed by Federal funds, who cannot get jobs in private industry, would it not be discriminatory if some man had to use a shovel and work in a ditch, while another man had a white-collar job? Wouldn't we run into some trouble there?

Mr. TERBORGH. Well, we ran into it in the depression. We found it difficult to give unemployed musicians and artists employment on road gangs. We tried to cure it by developing special projects for writers, artists, and white-collar workers. Some of them were meritorious; some of them less so, but your implication is quite correct, that public works do not offer an avenue of employment for all types of unemployed.

The CHAIRMAN. Won't this danger arise: If every person in the United States knows the Federal Government is going to give him a job, aren't you going to find a lot of people working on so-called sub-marginal farms—farmers who, when prices have gone down to the point where they lose money some years, have a very difficult time paying taxes—won't we eventually have all the people on Federal projects and run the risk of having a great shortage of food in this country?

Mr. TERBORGH. It is quite obvious that if the Federal Government were willing to manufacture enough jobs and pay sufficiently attractive compensation, it could absolutely denude private industry of its labor supply.

The CHAIRMAN. You are familiar with the history of the second French Republic in 1848, when they undertook to give full employment to everybody, and the farmers and workers in small industries came to work for the Government on these French projects because they got 2 francs a day, and that was more than private industry could pay, and it got to such a stage that the French Chamber of Deputies met very soon and repealed the law, because they were about to have a famine over there.

Mr. TERBORGH. We should not make the commitment, for perfectly valid reasons.

The CHAIRMAN. That is nothing new. It has been tried before.

Mr. GIBSON. Could I interpose one question right there? Isn't it fundamental that if the Government is going to assume the responsibility of giving everyone a job, the Government by necessity would have to assume the responsibility of forcing that man to take that job that they give him?

Mr. TERBORGH. That is the way in which totalitarian societies have helped to solve the problem.

Mr. GIBSON. If we are going into such a program as this, isn't it necessary to have power to force the man to take the job? In other words, is there any middle ground between a totalitarian form of government and the democratic form, a successful middle ground?

Mr. TERBORGH. Your implication there is correct. There are certain types of unemployment which cannot be cured by general programs, and which have to have specific measures.

Mr. GIBSON. Just as the chairman says, folks leave the farms, and then if you are going to have a food supply the Government has got to have the power to say "No, we are going to put you over here, and you over here". You have got to stabilize the thing, and you can't stabilize it at random; you have got to be able to direct just where this man shall work and where that man shall work.

Mr. TERBORGH. If the Government says to an artist or an actor or a fiddler, "You go to work clerking in a store" and if he declines, obviously he is still unemployed.

The CHAIRMAN. The people who voted for that full employment bill in France in 1848 had no intention, I am sure, of contributing to the downfall of the Second French Republic, and it went into a totalitarian government within 5 years from the time they passed the act. Don't we have some similar danger in our country? It seems to me we have a lot of people that don't like to read history. They want to forecast everything in the future, not by what has happened in the past but by something that they cook up in their own minds.

Mr. TERBORGH. Your political judgment is far better than mine as to what would happen if the House bill were passed and pressure began to roll in to make good on its guaranties.

Mr. HOFFMAN. If we are to have full employment under this bill it follows necessarily, does it not, that when private enterprise fails, the Federal Government steps in and provides the jobs, and then it must compel the workers to take them and work at them. There isn't any other way out of it. There isn't any use arguing about that. That is what it boils down to, isn't it?

Mr. TERBORGH. On an extreme interpretation, yes, I think so. On a literal interpretation that is correct. Of course, it would not pan out that way.

Mr. HOFFMAN. Why wouldn't it pan out that way?

Mr. TERBORGH. The bill itself prohibits the forcible movement of labor.

Mr. HOFFMAN. Yet the bill also provides for full employment, and you can't have full employment, you will admit, won't you, unless you have compulsory means to make the public take the jobs that are created? Otherwise they will just sit back and the fiddler won't do anything but fiddle, and the other fellows won't do anything but follow their own vocations.

Mr. TERBORGH. You can have what we used to consider full employment—I mean where you have a labor float of people in transition from job to job, plus a residuum of unemployables amounting to a million or two.

Mr. HOFFMAN. Just a minute now. You referred to the artists in the depression not so long ago. If you will remember, Congress created jobs to provide employment for the artists and the playwrights, and they had this little play Up in Mabel's Room, and they had a long list of plays with ridiculous titles, and they didn't really accomplish anything except to give those people something to eat and wear during the depression.

Mr. TERBORGH. Of course, the odd thing about it is that even in the

highest period of prosperity you can always find artists and writers unemployed.

Mr. HOFFMAN. I am a lawyer, and you can always find lawyers out of a job. Now, if I should be defeated for Congress and go back home, under the theory back of this bill the Government should provide me with a job. Are they going to give me a job to go out and lay brick, which I don't know how to do, or to do a hundred other things that I can't do, or are they going to give me a job suing somebody or defending somebody?

Now, you said in answer to my question that this legislation gives the man the right to work. Do you mean that?

Mr. TERBORGH. Yes, sir.

Mr. HOFFMAN. Are you sure?

Mr. TERBORGH. Absolutely.

Mr. HOFFMAN. Are you saying that in answer to my question?

Mr. TERBORGH. Yes.

Mr. HOFFMAN. Don't you mean the right to a job?

Mr. TERBORGH. Well, I do not differentiate between the two. These are slogans. They have certain popular emotional contents. Now, what do you think is the difference?

Mr. HOFFMAN. I say there is a difference, a whale of a difference. The right to a job is one thing, and the right to work at the job which I already have is something else again. What you meant to say, as I get it, was that a man has a right to a job created by somebody else. You would not say that a man should not have a right to a job that he creates himself, would you?

Mr. TERBORGH. No; my point was if we start talking in the language of rights, the legal concept of a right always implies a duty. Whose duty is it to provide the job? There must be such a duty created with the right, or the right does not exist. We cannot talk in terms of rights unless we create duties. The House bill logically creates a duty, and it fancied it had the means of underwriting the duty by unlimited Government spending. That is wrong; but having given up the panacea, let us eliminate the language which still provides the duty. The right to look for a job, the right to seek employment, already exists. You don't have to confer it by statute.

Mr. HOFFMAN. Your contention is that the panacea is offered on page 3, but over on the next to the last page you offer another one, do you not?

Mr. TERBORGH. Which, precisely? I was not aware of offering a panacea.

Mr. HOFFMAN. Well, you have one on page 3, do you not?

Mr. TERBORGH. That's right.

Mr. HOFFMAN. And over on page 10 you offer another one, do you not, the commission?

Mr. TERBORGH. I have no notion that this economic commission would be a panacea—far from it.

Mr. HOFFMAN. Well, maybe I have the wrong word. Maybe it should be "cure all," or "patent remedy," or something like that.

Mr. TERBORGH. No; I was inveighing against the idea that we have a cure-all of any kind.

Mr. HOFFMAN. All right. I thought on page 10 you give a panacea. Then following that, would you be willing, or can you and would you

be willing, to submit to this committee a draft, taking the Senate bill as a base, of your ideas of what a bill should be?

Mr. TERBORGH. I shall be glad to do that, although I am no expert in drafting. I have attempted simply to give the general outlines of policy which I think ought to be incorporated in a draft, but if you wish I can submit a draft.

Mr. HOFFMAN. I think it would be helpful in understanding the thing. That is all I have.

Mr. WHITTINGTON. Mr. Chairman, a few questions.

Doctor, what is the Machinery and Allied Products Institute? What are its objects and purposes?

Mr. TERBORGH. It is a nonprofit organization, Congressman, a federation of trade associations in the field of industrial equipment. We have about 30 constituent associations in the organization, each covering a segment of industrial equipment, such as machine tools, conveyors, Diesel engines, and so on.

Mr. WHITTINGTON. The general purpose of the institute is what, or the association?

Mr. TERBORGH. We have a double purpose. One is educational, and I appear this morning for that purpose.

Mr. WHITTINGTON. And the other purpose?

Mr. TERBORGH. The other purpose is serving our membership, some 500 companies in this line of manufacture, with information on Government regulations and developments affecting their business.

Mr. WHITTINGTON. Outside of education do you furnish your constituent membership with other information excepting as to Government activities?

Mr. TERBORGH. Not very much. Our main function is in that service field—we have a bulletin service which issues an average of one bulletin a day appraising our members of new regulations and statutes.

Mr. WHITTINGTON. And your members support the institute by assessments?

Mr. TERBORGH. Yes, sir.

Mr. WHITTINGTON. You are the research director?

Mr. TERBORGH. Yes, sir.

Mr. WHITTINGTON. How long have you been connected with the institute?

Mr. TERBORGH. Four years.

Mr. WHITTINGTON. What is your background? What are your educational qualifications?

Mr. TERBORGH. I was formerly an economist in the Research Division of the Federal Reserve Board.

Mr. WHITTINGTON. How long were you engaged in that work?

Mr. TERBORGH. I was in there 6 years, with an interval in the middle, and prior to that I was with the Brookings Institution, and still further back I was in university teaching.

Mr. WHITTINGTON. What university?

Mr. TERBORGH. A number of them, New Mexico, Illinois, Chicago, Ohio State, Antioch College.

Mr. WHITTINGTON. You are a graduate of what institutions?

Mr. TERBORGH. The University of Chicago and the Brookings Institution.

Mr. WHITTINGTON. You have given us an outline of what you think

should be in a bill that would be constructive. I will ask you this first question with respect to that bill. What might it popularly be called? Both the Senate and the House bill denominate these measures as "The Full Employment Act of 1945." What would you call them?

Mr. TERBORGH. Well, I have not given any thought to the title. That title is objectionable if it is construed as an act to guarantee full employment. If it is construed as an act for the pursuit of full employment or to promote full employment, then it is all right. I think the word "promote" should be in the title, perhaps, to allay any misunderstanding.

Mr. WHITTINGTON. Evidently you can appreciate that I had some misgivings or I would not have asked the questions, and in view of the fact that you have given careful thought to the problems undertaken to be covered by these two bills I asked that question.

Mr. TERBORGH. It is a good question. I have not given much thought to the matter of the title, however.

Mr. WHITTINGTON. I am going to follow that first question by another one. In your own way, if you were to undertake to follow up a bill stabilizing—to provide, for a federalized economic program, what would you embrace, aside from your prepared statement and your recommendations, in that bill? First, what would you say?

Mr. TERBORGH. I do not think at this stage it is appropriate to make recommendations as to specific questions of policy. We have not reached that stage. This is a bill to set up some instrumentalities for going to work on the problem.

Mr. WHITTINGTON. I am in favor of that idea. That is the reason I asked the question. Now we have gotten beyond the title. We will try to improve the title, and we want to attack problems when they arise—and I use that term advisedly—by anticipating. What would be the first thing you would say now—you have said what you would not put in this bill, and I am in accord with your thought as you put it—what would be your statement in view of the matters that ought not be in the bill?

Mr. TERBORGH. Well, you have given me an impossible assignment, if I construe it rightly. I could not outline the pattern of Government policy covering taxes, wages, prices, and so on, without reference to a particular situation. There is no such thing as policy in a vacuum, you see, and I am not quite sure what you wish me to do.

Mr. WHITTINGTON. Let me see if I can make myself any clearer. You stated there is something to be accomplished by legislation along the objective lines of these two bills. Having made that statement, what would be the first matter that you would suggest be incorporated in that legislation, or what matters would you suggest? Just give them 1, 2, 3. I have gotten beyond the title now. This bill that you think might be satisfactory when you conclude your statement might embrace first, what?

Mr. TERBORGH. Well, let us go to page 10 of my statement.

Mr. WHITTINGTON. All right.

Mr. TERBORGH. First, the declaration of Federal responsibility.

Mr. WHITTINGTON. What would you say as to the declaration of Federal policy? Just spell it out for us.

Mr. TERBORGH. Well, a declaration, an acknowledgment of the re-

sponsibility of the Federal Government to promote the health and vigor of the private enterprise economy, to mitigate economic fluctuations, and to obtain, as far as possible, a continuous high level of employment—something like that.

Mr. WHITTINGTON. Well now, that is the purpose. What else? That is No. 1.

Mr. TERBORGH. We acknowledge the responsibility of the Federal Government to make that attempt, not to guarantee any performance but to go to work on the problem seriously.

Second, we set up an instrumentality, a public and responsible instrumentality for focusing that kind of study.

Mr. WHITTINGTON. Is that the commission you have in mind?

Mr. TERBORGH. That is the commission. Thirdly, we create a joint committee of Congress.

Mr. WHITTINGTON. Now, take the commission. What kind, what size commission have you in mind, and what would be the qualifications of the members on that commission? I will tell you why I ask that question. Ordinarily when we have a difficult problem here that we experts—I mean we legislators—put it that way—we establish a commission and call it a day, and about all we get is just another commission. Often we get another commission. That commission submits reports, and that is the end of it. Now, tell us concretely what kind of a commission, what would be the qualifications of the members of that commission, in your judgment, the size of the commission, and what reports and to whom would they submit them?

Mr. TERBORGH. I should think it should be a small commission, as I have indicated, a full-time commission, probably not over nine. Obviously, since they will deal with problems of economics, I would want maybe half of the commission economists and the other half publicly known men in other vocations who would enjoy the confidence of the country. And it ought to be set up with sufficient prominence and prestige to command respect for anything it says.

Mr. WHITTINGTON. What would you call that commission?

Mr. TERBORGH. Well, call it the National Economic Commission, or whatever you please.

Mr. WHITTINGTON. For what term would you say the members should be appointed?

Mr. TERBORGH. Long terms, I would say. I would not have them appointed as representatives of particular economic interests.

Mr. WHITTINGTON. What would you say about a majority of them or all of them being of one political party? What would you say about that? You know we have nonpolitical boards, such as the Tariff Commission and others, where all the members are not of one political faith. Now, as a legislator, what would you say about that type of qualification.

Mr. TERBORGH. Well, I don't think very many economists have a definite political affiliation so that they could be named as Republicans or Democrats and I would prefer not to raise the question.

Mr. WHITTINGTON. All right, if you change your mind later on, let me know about that, because that is about the first thing practical politicians ask.

Mr. TERBORGH. If you start out by assuming that this is a dumping ground for political appointees, the whole thing should be abandoned.

Mr. WHITTINGTON. We will not argue about that, but sooner or later the question arises, whether we call it a Tariff Commission, a Securities and Exchange Commission, or Federal Reserve Board, and I was just thinking of that.

Mr. TERBORGH. Soon or later certain traditions will develop, as they have, for example, in the case of the Supreme Court.

Mr. WHITTINGTON. How often would this commission be required to submit a report and to whom would they submit it?

Mr. TERBORGH. Frequently, I should think, and to Congress, the President, and the public. I think their report ought to be public, and there ought to be a full statement of the dissenting views.

Mr. WHITTINGTON. That is the second one. Now, thirdly, is it your thought that the President's recommendation here would take the place of the National Budget, throw that aside, as I understood you? He would be encouraged to submit his reports, as to how he viewed the trends generally. What would you say about that institution?

Mr. TERBORGH. Certainly if this commission is not created, then the President ought to be admonished to make quarterly reports, as the bill already does.

Mr. WHITTINGTON. Assuming that the commission is provided for, where would the President come in?

Mr. TERBORGH. Assuming the commission is set up, I think the commission ought to be required to make reports frequently, and make recommendations for public policy. Then the question of how these releases of the commission are related to the President's quarterly reports. They need not displace the President's statements.

Mr. WHITTINGTON. Do I understand that this commission would be in lieu of the President's budget?

Mr. TERBORGH. The so-called National Budget we recommend scraping entirely, but that does not necessarily mean that the commission reports will be in lieu of the President's quarterly recommendations to Congress.

Mr. WHITTINGTON. So the plans of the Chief Executive in the picture would be for whatever decision or recommendation he care to make, or any independent findings that he had to submit, furnished to him by other executive agencies or by this commission, and you would then provide in the fourth place substantially for the joint congressional committee, as provided in this bill, in both of these bills, and the studies of this commission would have the direct attention of this joint committee?

Mr. TERBORGH. Yes.

Mr. WHITTINGTON. For whatever disposition that committee might make of them.

Mr. TERBORGH. And the joint committee could do its own study, and I think, should. To develop efficiency there should be proper staffing of the congressional committee.

Mr. WHITTINGTON. I agree, and for this reason, as you have indicated, that committee might not, as it occurs to me, implement the previous legislation that the Congress has enacted to prevent a recurrence, as far as possible, of the depression of the thirties. By that I mean the so-called permanent legislation as distinguished from what we were pleased to call emergency legislation here, which, as I see it, might bring to the attention of the country the fact that the Congress

provided for one of the first things that causes trouble, that is, bank failures by providing for the guaranty of deposits, so there would not be failures of the banks. Secondly, as you know full well, as you have stated your connection with the Federal Reserve Board, in the stock market crash billions of dollars were lost, and in an effort to prevent a repetition of that Congress passed legislation to scrutinize the issuance of stocks, securities, and established the Securities and Exchange Commission.

Then when one utility empire after another fell, Congress passed the Utilities Act. And there is the opportunity for this committee, this joint committee, to keep those matters before the public, and also to keep in proper focus before the Congress the legitimate public works that have been adopted by Congress, that might be increased or diminished, as the demands required. Now, when you have done that, you have about finished with your bill, haven't you, as you have outlined here?

Mr. TERBORGH. Yes, that is all we can do at the moment.

Mr. WHITTINGTON. Now this further question—and here is what bothers me—I have some skepticism about employment and the prevention of depressions. This bill, either bill, the Senate or the House bill, in my view, is based upon Federal expenditures, Federal investment, and those two words are synonymous with deficit spending, and in my view now when there is a real adjustment, the passage of legislation, even in the modified Senate form, would intensify the troubles that now exist between employers and employees. Without taking any sides, I think there are arguments on both sides, of the employer and the employee, but the fact remains that to lull the people not at work into a position where they might say, "Well, I don't have to take this salary or that salary or this wage or that wage, because under the declaration of the Congress of the United States I feel rather secure that a job will be offered me." Isn't that the great psychological defect and objection to such legislation as the House or Senate bills contain or provide?

Mr. TERBORGH. Yes, doubly so in the House bill.

Mr. WHITTINGTON. I think you have been very helpful, sir. You have been to me, and I want to say that I value such statements as men like you submit to us, because you are a fair witness, you are a reasonable witness, and if you don't know it, you say so. That is all, Mr. Chairman.

Mr. BENDER. Doctor, you are in favor of full employment?

Mr. TERBORGH. That is hard to answer. Everybody is in favor of it, just as everybody is against sin, but you would have to offer a definition of it to make the question mean anything. What do you mean by "full employment"?

Mr. BENDER. Is there anyone who objects to full employment and making it possible? What agency would you use or what formula would you use in order to bring about full employment?

Mr. TERBORGH. I haven't any formula, Congressman.

Mr. BENDER. Don't you think there should be some formula or some approach to the subject?

Mr. TERBORGH. Well, there ought to be some approach to the subject, but I don't believe we will ever wind up with a formula. Every set of circumstances is so different from every other that there is no one formula for producing even reasonably full employment.

Mr. BENDER. You believe that private industry should supply jobs to the fullest possible extent?

Mr. TERBORGH. Do you believe in the Federal Government supplying funds to private industry, in the event private industry is not able to provide jobs, so that they might augment private industry by supplying funds to industry so that they might proceed—as, for example, the RFC has provided private industry with funds in many cases.

Mr. TERBORGH. I don't think the question can be answered positively. I have seen a dozen different proposals ranging over a very wide area for subsidies to private industry, for interest-free loans, and what have you. Some of them, I think, have much more possibility than others. But no general answer is possible. You can certainly find cases—let us take the Federal Housing Administration, for example—whereby guaranty funds are made available at low interest rates and long term, much to the benefit of the economy.

Mr. BENDER. Do you believe in the Federal Housing Administration?

Mr. TERBORGH. Yes. All I am saying is that there is no general answer to the question as you frame it. I would have to see a definite proposal before I could react to it.

Mr. CHURCH. You believe that public works should be provided in the event that private industry cannot supply jobs, and in the event that private industry with the help of the Government through such agencies as the Federal Housing Authority and the RFC, that in that event public works, worth-while public works, might be provided by municipalities and States, and possibly the Federal Government?

Mr. TERBORGH. Yes; I think we ought to do everything we reasonably can to expand public works in times when the private building industry is slack. There is no doubt about that. I expressed earlier some skepticism as to the degree of flexibility.

Mr. CHURCH. What are the teeth in this bill? What is the penalty for nonconformance to the provisions of this full employment bill?

Mr. TERBORGH. There aren't any.

Mr. CHURCH. There aren't any at all? No penalties?

Mr. TERBORGH. I haven't seen any penalty provisions in the bill.

Mr. CHURCH. There are no teeth in the bill at all?

Mr. TERBORGH. It is a declaration of Federal responsibility. That is what it really is.

Mr. CHURCH. Well, is it the responsibility of someone or some of us? For example, we in our political platforms say that the people in the world, even the enemies, the people within the gates of the enemy, should be provided with food. That is provided for in both political party platforms. Do you believe in that proposition? Do you believe in helping our friends without helping those in the gates of the enemy?

Mr. TERBORGH. Do I believe in preventing starvation, whether of friend or enemy?

Mr. CHURCH. That's right.

Mr. TERBORGH. Yes.

Mr. CHURCH. Do you believe in that principle as far as we are ourselves concerned?

Mr. TERBORGH. Yes; I think definitely we ought to provide through unemployment insurance as liberally as we possibly can. It is a ques-

tion of administration in the end—I mean whether you give a man 50 percent of his regular wage or 60 or 80 or 100 percent. You have to stop somewhere, because the thing breaks down from human cussedness if you get too high, but I would go as high as the administrative feasibility permits. And I would make unemployment insurance as general in coverage as we can possibly make it.

Mr. CHURCH. I have heard considerable testimony here, or testimony elsewhere, both for and against this bill. How much of it is wheat and how much of it is chaff? Have you read any testimony either for or against the bill that you would say is so much hokum.

Mr. TERBORGH. I have to confess that I have read almost none of the testimony.

Mr. CHURCH. Have you read any papers for or against the bill that you disagree with? As I understand it, you are against this bill?

Mr. TERBORGH. When you say, "Are we against the bill?" or "Are we for the bill?" it is a question I cannot answer.

Mr. CHURCH. Are you for the bill or against the bill? You are against the bill as I understand it.

Mr. TERBORGH. We are against the provisions in the House bill that I discussed here. We are against some of those provisions as they survived in the Senate bill. If those are corrected; we are for the bill, and we are doubly for it if it adds the commission that we suggest.

Mr. CHURCH. As I understand, you will submit a formula of your own to the committee that you would consider satisfactory?

Mr. TERBORGH. Well, Mr. Hoffman asked me if I would draft a bill. I will turn in something if I can.

Mr. BENDER. You are not, then, in sympathy with the idea that we should do nothing about the employment situation?

Mr. TERBORGH. Definitely not. We don't believe in a merely negative attitude on this problem. We think we are constructive, and being constructive we can point to weak points in both of these bills. They are weak because they simply pass the buck to the White House, leaving it to perhaps unknown Presidential advisers to cook national policy. We want to see the function brought out into the open and made responsible. We think that is a constructive addition to the bill.

Mr. BENDER. In other words, you want to put some teeth in the bill?

Mr. TERBORGH. No; we want an intelligent approach. That is not teeth, exactly. We want to get an intelligent approach to the very difficult problem of what to do about economic fluctuations, to which at present we don't know the full answer. We are kidding ourselves if we pretend that we do. We know some things. I am personally convinced that we don't need to worry about another depression of the extent of the thirties, but it will be a long time before we get the art of stabilization mastered to the point where we can iron out all economic fluctuations—if we ever get there. We have to be content with something less than perfection, but we are not pessimistic. Our criticism of these bills is that they start out on the false premise that all we need to do is to spend money to bring the millennium.

Mr. CHURCH. Dr. Terborgh, a while ago you said something to the effect that you recommend scrapping the budget. You mean the budget features of this bill, not the budget that we are familiar with?

Mr. TERBORGH. No; the proposed national budget, not the Federal budget.

Mr. CHURCH. A while ago Mr. Bender asked you if you had perhaps read the testimony on this bill. You realize that the testimony in these hearings has not been printed at all, therefore you could not have read it.

Mr. TERBORGH. Not the hearings on the House bill.

Mr. CHURCH. You have had no opportunity to read the hearing on the House bill?

Mr. TERBORGH. No, sir.

Mr. CHURCH. I will appreciate your doing what Mr. Whittington suggested, submit your amendments either to the Senate bill or the House bill, because I don't know of anyone on the committee that doesn't want a bill that will do the job.

Mr. TERBORGH. I shall take the Senate bill and redraft some of the provisions we object to. That will probably be more practical and desirable than trying to draft a whole new bill.

Mr. CHURCH. Your idea, as I understand it, is that in the title we don't want a bill or an act that holds out something to our people that we can never live up to?

Mr. TERBORGH. No; I think it ought to be called an act to mitigate economic fluctuations—or something of that sort—or an act to reduce economic instability. But if the words "full employment" must go into the title of the bill, I would not object, provided the provisions of the bill were acceptable.

Mr. CHURCH. Now, with reference to this commission, your conclusions with reference to the need of the commission, is your organization qualified to prepare data and recommendations that would be available to committees of the House or committees of the Senate on the subject?

Mr. TERBORGH. We think so.

Mr. CHURCH. Do you feel you need a bill in order to more nearly perfect them for our use? You seem to want the Commission to proceed further than they get in their conclusions and their findings.

Mr. TERBORGH. Yes; our ideas may be good or they may be bad. They are simply ideas of the Machinery Institute. We want a public instrumentality for threshing out these issues. Those nine men—if there are nine—will not agree, but even their disagreement will be enlightening. Even that is important, the issues on which they do not agree.

Mr. CHURCH. That is all, Mr. Chairman.

Mr. JUDD. I want to express my personal appreciation to Dr. Terborgh for what I think is one of the most enlightening discussions we have had of the actual provisions of the bill. I share with him apprehension of the use of the words "full employment," first because, as I get it from your testimony, you think that is a perfection which cannot be attained, never was for that matter attained.

Mr. TERBORGH. Full employment is a goal.

Mr. JUDD. And second, it is likely to make people think that it will be attained, which is a snare and a delusion. Actually what this bill is, is a Federal economic-planning bill, isn't it?

Mr. TERBORGH. Without an adequate instrumentality.

Mr. JUDD. But would you be in favor of a proper Federal economic-planning bill? You do not object to the word "planning," do you? You are not afraid of planning, as some people are?

Mr. TERBORGH. If it is planning for Federal policy, then I am all for it.

Mr. JUDD. That is exactly my own position. It is a misnomer, actually, to call this an act to assure full employment, when actually it is just a Federal economic planning act. If the bill is changed so as to state that the Federal Government recognizes its responsibility and intends to do its utmost to achieve these objective, then 50 per cent or more of the opposition is removed and we are being responsible people because we are talking about something which there is a chance of delivering.

Mr. TERBORGH. I agree.

The CHAIRMAN. I want to thank you very much for your testimony, Doctor. The committee will stand in recess until 2:30 this afternoon. (Whereupon, at 12:05 p. m., the committee recessed until 2:30 p. m. this day.)

AFTER RECESS

The committee reassembled at 2:30 p. m., pursuant to recess.

The CHAIRMAN. The committee will come to order. We have with us today Mr. Joseph W. Kane, of the Detroit Board of Commerce. Mr. Kane, you are recognized.

STATEMENT OF JOSEPH W. KANE, REPRESENTING THE CHAMBER OF COMMERCE, DETROIT, MICH.

Mr. KANE. Thank you, Mr. Chairman and gentlemen. In view of the fact that we have a little competition from one to whom nobody would object, the President, we went out of here in a little bit of a hurry, and if you will just give me a moment I will proceed with my statement.

I do request the committee, Mr. Chairman, to accept the printed statement that we have in its entirety, to be part of the record, despite the fact that in my reading from it I may skip things that you can refer to later on.

The CHAIRMAN. That will be satisfactory. Will you give your full name and position for the record, Mr. Kane?

Mr. KANE. My name is Joseph W. Kane. I happen to be secretary of a corporation located in Detroit, but its activities cover the entire United States. We are what you would call a small business organization. We have less than 100 employees, but its operations are of such a nature that we have to keep ourselves more or less informed on trade and commerce throughout the length and breadth of this land, and prior to the war we did considerable exporting to foreign countries.

In the city of Detroit is the Detroit Board of Commerce. The nature of that organization is generally well understood by you gentlemen, and a vast percentage of the public. The Detroit board consists of approximately 5,500 members. The membership is voluntary, but it involves an obligation of yearly dues which provide the funds with which the board operates a staff of somewhat less than 100 employees, all of whom are specially selected for their knowledge and experience in industry and agriculture, in foreign and domestic commerce, and all things of a community, or in some cases a national nature. They are the source of a great amount of information to all of the businessmen in the city of Detroit. They assist the city government at times, when there are matters of community interest,

go over the lines of race and creed and political belief, and as such an organization appeals to me as a relatively small business man—I have belonged to it for a number of years—at times when they have problems that are beyond the capacity of the staff they appoint committees selected from the membership, men who they feel are informed or can be informed on the subject to be studied, and in that particular situation I happen to be one of the men selected to study the full employment act. That committee met and studied—met many times and studied very seriously this proposed legislation, submitted its report in the constitutional manner to the board of commerce; the thing was in turn studied by the board of directors of the board of commerce, and they approved the report of the committee. They now desire and have given me the privilege to present to you what, in substance, is the report that they have endorsed and approved as representative of the Detroit Board of Commerce, as a consensus of opinion of those particular men forming that organization.

Mr. HOFFMAN. Mr. Chairman—off the record.

(A discussion followed off the record.)

Mr. KANE. It has been agreed that this printed statement shall be the statement in full as presented by me.

Mr. HOFFMAN. If you are submitting it without repeating, I do not care. If you want to read it, all right.

The CHAIRMAN. Go ahead, Mr. Kane.

Mr. KANE. We confess that it was a difficult thing to arrive at a conclusion as to just how to analyze this proposed legislation, and we finally, after considerable effort, got down to reducing it to four questions:

1. What are the objectives of the bill?
2. Are the objectives of the bill a proper and legitimate field for Congressional action?
3. What effects, desirable and undesirable, would result from the enactment of the bill?
4. What other means are available for obtaining those objectives of the bill which are desirable?

Under 1, briefly stated, the main objective appears to be a Government guaranty of jobs to all wage earners. This bill seeks to guarantee a continuous and satisfactory income to one class of our citizens, namely, those who work for wages. We assert that the objective of the bill is to benefit especially that minority of certain wage earners whose services are less in demand and who are consequently most likely to be unemployed on account of their location, occupation, or personal traits, habits, and qualifications.

It is the responsibility of Congress to write laws in precise language with precise definition of those words, particularly phrases capable of various constructions.

It is difficult to analyze with any certainty the objectives or merits of H. R. 2202, because the bill contains so many words and phrases which are vague, uncertain, and undefined—and we refer to some 20 or more of those phrases.

We also refer to the fact that the first draft of this legislation contained a definition that in itself called for itself. That was the definition on full employment. That is not now contained in the proposed legislation. It seems reasonable to expect or insist that a law

of Congress should be written in precise language, and that words and phrases of uncertain meaning should be defined so that the citizens, legislators, and the administrators of the law know what the law requires. This bill clearly fails to meet that standard. Presumably, the sponsors of this bill hope that the bill, if enacted, will result in a condition formerly called "prosperity" or "good times." These older terms were inclusive and indicated a high level of production and consumption, and great satisfaction for all citizens, farmers, professional men, employers, and wage earners. The new term "full employment" is more circumscribed and refers not to the general welfare of all but to the welfare of a special class, those who work for wages.

Prosperity comes when we have abundance of goods and services. And labor is not the sole cause of abundance. Other factors which cause abundance are natural resources, technological improvements, accumulation of capital, equitable laws, and many other things.

Our objectives should be abundance, not full employment. The depth of absurdity in glorifying the means rather than the end was reached by Sir William Beveridge, who said in his book on Full Employment, "It is better to employ people on digging holes and filling them up again than not to employ them at all." The American people, typical of themselves, found a word for that kind of operation, boondoggling.

Are the objectives of the bill a proper and legitimate field for congressional action? We had a very lengthy, carefully prepared statement in which we set forth the reasons and justifications for concluding that this bill would be unconstitutional, because it is class legislation and intended to benefit a special class and be paid for by all others who may not in themselves, either directly or indirectly, benefit.

The bill also provides an affirmative right, that is to say, that Congress create a right in addition to the individual's inherent right, and to coercively effectuate that right.

On page 5—I am full aware of the fact that by skipping through this the continuity of our presentation is not so effective, but—

Mr. WHITTINGTON (interposing). Mr. Chairman, is the witness going to file his statement?

The CHAIRMAN. Yes.

Mr. WHITTINGTON. We can read it as fast as he can read it over there.

Mr. KANE. Mr. Whittington, the great trouble, as I view it, is the possibility of so many Congressmen and men on other committees who are busy with other matters failing to read in its entirety.

The phrase "the right to work" may be defined in two ways at least: (a) It may mean that no person or group of persons has the right to interfere with or hinder a person who alone or in voluntary cooperation with others desires to work. In this sense it means the preservation of a valuable freedom. Thus a picket line that prevents a workman from passing through a factory gate may be said to deny to the workmen the right to work; (b) it may mean that job seekers have the legal right to compel certain persons or groups of persons to employ them. In this sense, those designated by law as having the obligation to employ the job seekers are denied the right not to employ. It is this second definition which applies in the original draft of the bill, and we quote that statement.

Skipping down to the last paragraph on page 5, the right to work as defined under 5, or under (b) is in conflict with the right to property. We can have one of these rights but we cannot have both. The right to property is simply the right of the individual to own, possess, and use that which he has produced or legitimately acquired, but the right to work, as contemplated by this bill, requires the Government to take property from the owners and give this property to workmen, so that the workmen can produce something that neither the public, the employees, nor the taxpayers will buy of their own free will. Such a right to work impairs the right to property.

The Communists have treated this subject of the right to work on numerous occasions, and we quote transcripts from some of their magazines, the Communist Manifesto of 1847, on page 6. In 1848 the French Communists passed a right-to-work law, and it worked so badly that it was repealed in about 6 months.

The Russian Communists have a right-to-work article in their constitution of 1936, which is current and reads as follows:

Citizens of the U. S. S. R. have the right to toil, that is, the right to receive guaranteed work with payment for their toil in accordance with the quantity and quality. The right to toil is insured by the socialist organization of national economies, by the increasing growth of the productive forces of Soviet society, the elimination of the possibility of economic crisis and the liquidation of unemployment.

The CHAIRMAN. They also say in that same part of the constitution if they didn't work they didn't eat.

Mr. KANE. Mr. Chairman, we didn't want to labor the question. We knew that you gentlemen were informed even beyond ourselves, and we could have made this much more extensive but we tried to point out the essence of the very thing that is proposed here. This is not a new idea.

The CHAIRMAN. They have a little different approach, though, in carrying out their mandate.

Mr. KANE. Yes; they have. My son was honorably discharged from the service of the Nation, and I was proud of the fact that he served, with the rest of us, and he has all the security that was necessary for any human being to exist. He had food and shelter and clothing.

The CHAIRMAN. And medical attention?

Mr. KANE. And medical attention, and presumed remuneration under the GI bill of rights, and things of that nature, but I hope that my son and my son's son don't have to live with that constantly over their heads. I hope that we can get the good of the old days, because we know that which was good and we want to hold fast to it, and this proposed legislation goes down a dead-end street, not a blind alley. A blind alley is something you get into and you don't know where you are at, but this is a dead-end street, and the end of it is something utterly different than what we are familiar with in the American form or the American philosophy of government. I don't believe we should constantly take care of a man who doesn't help to take care of himself.

The CHAIRMAN. That is what I wanted to add in the rest of that constitution of the Soviet Republic.

Mr. KANE. Yes; I do not have that right at hand.

Mr. WHITTINGTON. Have you got a copy of the 1848 law passed by the French?

Mr. KANE. We have a copy of it. I don't have it with me, no, sir.

Mr. WHITTINGTON. Will you mail it in here to us, because we have a lot of reference to it?

Mr. KANE. We should like to do that for you. We certainly shall.

Mr. HOFFMAN. Here is the Soviet Constitution. I don't find that place now.

Mr. KANE. Will you supply it, Mr. Hoffman, or shall we supply it from Detroit?

The CHAIRMAN. Mr. Whittington wants you to supply the act of the French Chamber of Deputies of 1848. This is the Soviet Constitution here that Mr. Hoffman is referring to.

Mr. KANE. I would like it to appear in the record, Mr. Chairman and gentlemen, that when I made that statement I made it with every degree of sincerity. We have the act or portions of the act that will support this extract. To find the act in its entirety, Mr. Whittington, I am not sure that we can do that.

Mr. WHITTINGTON. You have the extract from the Soviet Constitution, haven't you? You haven't got any extract here from the French Act, have you? I don't find it.

The CHAIRMAN. Following the citation in the constitution there, it also provides that those who don't work, don't eat. They don't tolerate any drones or people who don't work in the Soviet Republic.

Mr. WHITTINGTON. The French Act of 1848 has been mentioned by the witness here, and I would like to have it in the record.

The CHAIRMAN. I am having some information worked up on that, Mr. Whittington, and I hope to have it by Friday.

Mr. KANE. We will do our best to assist you in any way we can.

It is interesting to note that the principal advocate of full-employment laws in Britain, Sir William Beveridge—and I think he is now a member of the new Cabinet—is a Socialist who does not believe in private property. He says in his book on full employment:

The list of essential liberties given above does not include liberty of a private citizen to own means of production and to employ other citizens in operating them at a wage, but if it should be shown that abolition of private property and the needs of production was necessary for full employment, this abolition would have to be undertaken.

We do not believe we should take the first step in a program which might eventually compel all workmen to work for the Government. We do not believe that the majority of workmen are Socialists or Communists, or that they want the effects, desirable or undesirable, that might result from the enactment of this bill. As the bill stands the effects would be negligible. It proposes estimates and such things to be prepared in connection with the National Budget. The mountain labors and brings forth a mouse. The law which was hailed to bring full employment produces nothing but reports and estimates, and there is the real danger in this law as we see it. It is a commitment upon the highest legislative body in the world, the one that is closest to our heart, and if it ever commits itself to this impracticable plan it will necessarily have to continue, because public opinion, especially those who have been misled by the illusive statement of full employment, defined and interpreted by each person in his own way, I hesitate to hazard a guess as to how it will end.

The CHAIRMAN. Right at that point, the testimony before our committee has been entirely to the effect that this bill would not guarantee

a job to everyone or insure any person a job. I have been reading the hearings on the Senate bill held by the subcommittee of the Senate Committee on Banking and Currency, and I notice the statement by Mr. Wolf, of the National Lawyers Guild, that appears on page 812 of the Senate hearing, reading as follows:

The dictionary defines "assure" as follows: "to make sure or certain; to inspire confidence by declaration or promise." This latter gives us a clue to the real basis for the objections. The promise by Congress of job opportunities will inspire confidence in the people of the country; they will rely on the assurance of their Government. And they will expect this promise to be effectively implemented.

In other words, the people who are dealing with this bill believe that it does assure full employment, and they believe that the Congress is bound by it. He says further in that next paragraph on page 812:

A promise is a commitment, and the public relies on its legislators to honor their commitments.

If that does not show to me and to the rest of the committee that the proponents of this bill think that this is a commitment on the part of Congress I can't understand the English language.

Mr. KANE. Mr. Chairman, why should not the succeeding Congresses fulfill the commitments of any preceding Congress? When we seriously study a piece of legislation with such ramifications and such great import we realize it will affect the lives of every man, woman, and child in the Nation.

Mr. RICH. May I ask this question right there of the chairman of our committee? Isn't it a fact that when we pass legislation with an implication that Congress must do something it has been the custom in Congress to have legislation passed with the idea that this does not cost us anything or that we are not obligated to a certain thing, but after the bill is passed the obligations then naturally follow?

The CHAIRMAN. That isn't my experience heretofore.

Mr. KANE. That has been my opinion for quite some time. If I were ever privileged to be a Member of any Congress I would think that any solemn promise of any previous Congress would be something that I should make every effort to fulfill.

Senator Murray himself stated in the Congressional Record on January 22, in answer to the question, "Does the bill guarantee everyone the kind of job he wants?" and his answer was, "This is not a bill to guarantee jobs to any individual." Now, I defy any Member of Congress to stop people on the street and ask them whether they have that impression or not.

The CHAIRMAN. I just read from the statement of one witness over there before the committee that had an opposite view. He did think it guaranteed jobs to individuals.

Mr. KANE. That is what I mean. I mean you Members of Congress ask the man on the street if he interprets "full employment"—which is a catch phrase, beautiful, alluring—whether "full employment" guarantees him a job or not, and see what his answer is.

Mr. HOFFMAN. You mean he will say "Yes"?

Mr. KANE. Certainly.

The CHAIRMAN. He thinks he will get a job tomorrow if this bill is passed.

Mr. RICH. If we pass this legislation what will be the effect on the

general public to try to create jobs? They will think Congress is going to create all the jobs, won't they?

Mr. KANE. They certainly will.

Mr. RICH. And then the initiative of the individual to create jobs, what is going to happen to that?

Mr. KANE. I wish I had the wisdom to foresee that, but I just have common sense to aid me in my thinking, and when it gets down to the point where the right to a job is created which impinges upon the rights of other citizens who are employed, to the point of where the right to a job involves the responsibility first on the part of the private employer, and if he is unable to meet that responsibility—and we know many reasons why there are numerous times that he is unable to do it because he just can't put people on the pay roll like you put them on the public pay roll—and if private employers do not put these men onto a job, then this bill pledges the United States Government to make such expenditures and do such things, whether they are wanted or not, in the way of public works, whether they are desirable or not, to be paid for out of the taxes assessed on people who do not benefit from them, and there is only one answer to that, Mr. Rich, in my opinion, and that is Government ownership.

Mr. RICH. That is what is going to happen.

The CHAIRMAN. And at remunerative wages too.

Mr. KANE. Well, we have asked a lot of questions in this paper of ours, Mr. Chairman, on the phraseology that I skipped, the undefined phrases. One of them is "remunerative wages." But we ask those questions with the utmost sincerity.

The CHAIRMAN. We have a law on the statute books now that where workmen are employed on Federal public works the prevailing wages in the local community shall be paid the workmen.

Mr. KANE. Yes; I know we have that.

The CHAIRMAN. I would think that would not leave any doubt but what it would take a lot of money to give 60,000,000 people jobs on public works projects.

Mr. RICH. Since I have been in Congress, since 1930, I have heard more crackpots around the Capitol here suggesting things that the Government ought to get into, and the Government did get into many of them, and we have had a national deficit ever since.

Mr. KANE. Well, this bill is predicated on a continuation of deficit financing, and there is a vast difference between today, the moment at which this continuation is proposed, and when it really began. We now have a \$300,000,000,000 public debt over our heads, and at that time we were not so badly off.

A totalitarian state which controls production, consumption, and labor can not only guarantee work to all but can also compel everyone to work. All leftists insist that labor has been treated by employers as a commodity and that that is the capitalistic attitude toward the worker. The bill, however, makes workers into commodities. If it is carried out as originally planned, a worker from the Detroit area, probably a skilled mechanic, will become a concrete mixer in Mississippi, or vice versa, or worse, or "worse," if I may say that.

The CHAIRMAN. Of course, the full danger of committing the Federal Government to giving jobs to everyone who is not employed is not necessarily in this bill; it is in the legislation that will be necessary to follow in order to implement this bill. Isn't that true?

Mr. KANE. We touch on that, Mr. Chairman, later on in our paper. It may be objected that the compulsion to buy is not contemplated in this bill. We say that the compulsion to buy is an essential part of the suggested program. If the President and Congress commits the Government to a program of extensive public works, post offices, dams, roads, hospitals, subsidized housing, public parks, and so forth, the taxpayers are compelled to buy these projects. If these projects were adopted because the people generally wanted them, if they preferred these public projects to the things that they would otherwise purchase, probably no great harm would result, but under this bill these projects would not be undertaken because the people wanted them.

The values which the public secured from these projects would be immaterial and irrelevant. The projects would be undertaken to furnish jobs, and since the taxpayers are forced to give up things that they want for things they do not want the Government inflicts upon them a loss. The taxpayers would be compelled not only to furnish wages to the public employed but to supply them with materials, lumber, cement, steel, and things of that nature, and to supply them with tools, so that only a small fraction of the expenditures would go for the wages of the job seekers.

That would be a waste and an uneconomic use, not only of labor but also of materials and capital equipment. This coercive demand for labor, materials, and capital equipment would tend to raise wage rates and prices and thus reduce the operations of private enterprise. This coercive employment used to make things of low economic value would not be useful employment. It would be far better and less costly to supply the destitute with a minimum of food, shelter, and clothing rather than to furnish them materials, capital equipment, and wages to maintain the pretense that they were usefully employed and not the recipients of charity. Unemployed persons put to work on jobs of little or no economic value are, in an economic sense, still unemployed.

The CHAIRMAN. Referring to some of the projects of the WPA?

Mr. KANE. Raking leaves, digging holes and filling them up again. There is never any great concern on the part of the man who could employ people on the public pay roll as to just how efficient they were or how skilled they were or how capable they were of doing any part of the job that they undertook; and if it was digging a post hole, instead of taking a post-hole digger they would put a man there that never had a shovel in his hands before, and he wouldn't know how to go about it, so in order to get a post-hole dug they might put four or five men on the job, and between them they could dig a hole, and—I am facetious, of course—they might put four or five more men there to fill up the hole after the diggers had dug the hole, because they never let one man do the other man's job.

It appears to me that this legislation is proposed more as a follow-up of some campaign oratory and some campaign promises but, more important, with the fear that there might be another depression, disregarding the fact that human conduct cannot be cured by legislation. A man that is lazy don't work unless he has to work, or fight; and there are people who, when they do have a job, don't like the hours or they don't like the employer or 40 other things. We have had strikes in the city of Detroit that generated out of the silly, almost asinine

and unbelievable, point of who is going to deliver the milk in a cafeteria in an industrial plant that was employing some 37,000 men, 100 percent of them war workers, tying up the whole plant.

The CHAIRMAN. If this bill becomes law, don't you think it will be necessary to pass legislation following that to prohibit anybody from migrating or quitting work, because that affects the employment picture?

Mr. KANE. Well, I am not so sure about this, Mr. Manasco. I think that when the Government undertakes to see that everybody who wants a job gets a job, without placing upon that individual the responsibility to accept the job that the Government may have to offer him—and there is nothing in this bill to that effect—it does not say that a man shall accept a job from USES; it merely says that he shall get a job—and if they undertake that responsibility they will also have to undertake the transportation of workers to the field where the work is, if it is not available in the field or the locality in which they happen to be at the time they make the application.

The CHAIRMAN. Now, if the President in January transmits this national budget forecasting that there will be 8,000,000 people unemployed in November of that year, of course he won't know how accurate that forecast is. He might have strikes in the automotive industry and the coal industry, the public utilities, so he could not afford to have any strikes happen, because that would upset his budget.

Mr. KANE. Yes, sir.

Mr. RICH. May I ask this question there? Suppose the Government would take over some of these war plants and authorize them to be operated, first thing would they have to unionize them under the present set-up of laws we have?

Mr. KANE. I don't see how they could escape it, Mr. Rich. Then there would be the eventual struggle as to whether the unions were going to determine the type of labor, the number of hours, and the remunerative wages that were paid or whether the Government would do it.

Mr. RICH. If the Government had that to decide, whom would they decide on, the AFL or the CIO?

Mr. KANE. Well, they have had a tough time trying to satisfy them both for some time.

Mr. RICH. Do you think there will be any opportunity for another union to spring up?

Mr. KANE. Well, I might even by that time conceive the idea of promising more wages and shorter hours than even the A. F. of L. or the CIO offered the men, and I might be able to get a union myself established. Then I could have some influence myself on the Government.

Mr. RICH. You would have a pretty big fight, brother, if you buck up against the two we have got now, because they are trying to outlaw any other unions that exist. Under the boards that we have set up in Government they favor either the CIO or the A. F. of L., and any other union hasn't got a chance. Does that smack of big business? Isn't it against the Sherman antitrust law?

Mr. KANE. Most businessmen are familiar with those difficulties.

Mr. RICH. I will say they are familiar with them, most emphatically, because anybody that has gone through any union activities

in their places of business knows that if he has got a union that does not belong to one of those two, there is a continuous fight, and the situation is something which simply gets worse and worse as time goes along.

The CHAIRMAN. Mr. Kane, the President in his message today made this statement, and I think it is rather significant:

But it is impossible today to foresee the future; it is difficult at any time to know exactly what our responsibilities will require in the way of forces—

Wouldn't that same argument be used against the matter of the National Budget? It would have of necessity to be at least for 6 months in the future.

Mr. KANE. There is no question about that, Mr. Chairman. I made a few notes as the President spoke; I did not have a transcript of his speech. One of the things that I have quoted, if you will accept my statement to that effect, is—

It is impossible today to foresee the future, but we are dealing with men that have the wisdom to foresee a continuous prosperity by a spending of wealth that we have.

The CHAIRMAN. Of course, there is nothing more tragic than war; even unemployment is not as tragic as war; but if we cannot foresee what we will have happen in the future, how is this machinery going to carry out such a program?

Mr. KANE. That was my reaction.

The CHAIRMAN. So much so that he cannot foresee the employment situation 6 to 8 or 18 months ahead.

Mr. KANE. That was my reaction, sir. When I made that excerpt I happened to think that if the military forces and the State Department, and all of the integral parts of Government which are now operating and are fully informed on the so-called international situation—and if their spokesmen say that it is impossible today to foresee the future even from day to day, how can these unexperienced men who have not been in anything else of real effort place seriously before the Congress of the United States a piece of legislation that is just shot full of wishful thinking and hopes that there is such a thing as getting rich quick or improving your condition in life without working for it.

The CHAIRMAN. We cannot foresee what the future will be next year, or even for a few months ahead, as far as that is concerned.

Mr. KANE. I think it is a very natural condition we are in today, if the trend of the last decade has been studied with some degree of seriousness. I have no reflection on the author of the statement that one-third are ill clad, ill housed, and ill fed, but I happen to be confused by that kind of a statement. I think we should stop this and not go into this concept of fooling with public affairs and with public funds, in order to satisfy—assuming that his figures are right—one-third ill clad, one-third ill housed, and one-third ill fed, when the shores of an unexplored continent were reached by a group of forefathers who were 90 percent ill clad, ill housed, and ill fed, but who had industry and initiative and desire and had lofty ideals, many of which are being cast into the dust today—that are old-fashioned, they say; they are out moded; they are not sources that are returnable.

They are not principles that are returnable today. These principles

that those people ably exemplified in those days have led, no matter what the percentage of our population that may have come under the category that we name, these people who suddenly moved forward in storm and difficulties of an economic nature, of a fiscal nature, of a material nature, and they have always increased the standard of living until it was higher than ever known in civilization before. If we can once again capture that same spirit in this country, we will have recovered a great deal of the American spirit that does not have the fear of the future that these men have—that is willing to sell its birthright for the comfort of the moment. This is the day, as I see it, when the men in Congress must not fear this thing. They must have the courage to step up now, recognize it for what it is, and—they must bring an end to this fear, because it must have an eventual end, and this thing must be gotten straight and kept that way.

I do not believe that is a moral principle involved in the language in the declaration here. This bill, if enacted, does not confer the right to employment. It says all Americans have "the right to an opportunity for employment." According to the bill, citizens already have this right. Does this right to work refer to a legal or a moral right? Obviously there is no such legal right. There is no law that the unemployed can cite if they demand employment. Nor has the alleged right to work any foundation in morals.

This bill, if enacted, does not confer the right to employment. It says all Americans have the "right to an opportunity for employment." According to the bill, citizens already have this right. Does this right to work refer to a legal or a moral right?

Obviously there is no such legal right. There is no law that the unemployed can cite if they demand employment. Nor has the alleged right to work any foundation in morals. For every right, there is a correlative duty. If all citizens have the right to a job, who are the people who have the duty to employ them? By what just rule can the Government select those citizens who have the obligation to employ? If certain people have the duty of employing workers to produce goods, they cannot fulfill this obligation unless other persons have the duty of buying the finished products. The right to a job necessitates the right of the employer to sell the product.

Do farmers have the right to compel people to buy their products? Do mine owners have the right to compel people to buy the coal, copper, and iron which they produce? Do automobile manufacturers have the right to compel people to buy their output of automobiles? It is ridiculous to assert that the owner of property has the right to compel someone to buy it. But if the employer does not have the right to sell, then he cannot assume the duty of hiring all job seekers, and the alleged right to a job vanishes in thin air. A totalitarian state which controls production, consumption, and labor cannot only guarantee work to all but can also compel everyone to work. All leftists insist that labor has been treated by employers as a commodity and that the capitalistic attitude toward a worker is such. The full employment bill, though, makes workers into commodities. If it is carried out as originally planned, a worker from the Detroit area—probably a skilled mechanic—will become a concrete mixer in Mississippi, or vice versa.

It may be objected that the compulsion to buy is not contemplated in this bill. We say that the compulsion to buy is an essential part of the

suggested program. If the President and Congress commit the Government to a program of extensive public works, post offices, dams, roads, hospitals, subsidized housing, public parks, and so forth, the taxpayers are compelled to buy these projects. If these projects were adopted because the people generally wanted them, if they preferred these public projects to the things they would otherwise purchase, no great harm would result. But under this bill these projects would not be undertaken because the people wanted them. The values which the public secured from these projects would be immaterial and irrelevant. The projects would be undertaken to furnish jobs. Since the taxpayers are forced to give up things they want for things they do not want, the Government inflicts upon them a loss.

The Federal taxpayers would be compelled not only to furnish wages to the public employees but to supply them with materials—lumber, cement, steel, and so forth, and to supply them with tools, so that only a small fraction of the expenditures would go for the wages of the job seekers.

There would be a waste and an uneconomic use, not only of labor but also of materials and capital equipment. This coercive demand for labor, materials, and capital equipment would tend to raise wage rates and prices and thus reduce the operation of private enterprisers. This coercive employment, used to make things of low economic value, would not be useful employment. It would be far better and less costly to supply the destitute with a minimum of food, shelter, and clothing, rather than to furnish them with materials, capital equipment, and wages, and maintain the pretense that they are usefully employed and not the recipients of charity. Unemployed persons, put to work on jobs of little or no economic value, are, in an economic sense, still unemployed.

Some may believe that a moral principle is involved in the right to a job. In order to disclose the immorality of the right-to-work theory, let us consider an individual case. A job seeker goes to an employer and says "I have the right to work, and I demand that you employ me, at full time and at remunerative wages." A job seeker who made such a demand would exhibit a brand of morality akin to that of a hold-up man. Most employers desire to expand their operations and add to the working force so long as the additional workman will bring in revenue in excess of their wages. When an employer is compelled to hire workmen against his will, the presumption is that these workmen will not earn their wages and that the additional workmen will cause the net income of the employer to decline.

Just as it would be unfair for a single job seeker to demand employment from a single employer, for exactly the same reasons it is unfair for all job seekers to demand employment from some other group, such as Federal taxpayers. To assert that job seekers have the right to take property from others to pay themselves wages is to assert that spoliation is moral, that theft is a virtue.

To state that "All Americans have the right to employment" is to state a falsehood, without any foundation either in law or morals. The bill opens with this statement: To establish a national policy and program for assuring continuing full employment in a free competitive economy." But continuing full employment is to be attained by the coercive action of the Government. The Government is to take prop-

erty from certain citizens in order to pay wages to other citizens. But citizens who are coerced are not free. Government is a coercive non-competitive monopoly. All citizens are coerced when they are taxed. What, then, is a free competitive economy? We believe that a free competitive economy is a situation in which the citizens are free to produce and exchange goods and services, to engage in business, to employ and to be employed, free from Government intervention.

Taxes to produce necessary public works and to carry on necessary governmental functions are compatible with a free competitive economy. But taxes levied on certain groups to increase the income and welfare of other groups are not compatible with a free competitive economy. Guaranteed jobs and profits are not compatible with competition. Persons whose incomes are protected by Government are not subject to the hazards of competition, and those who are taxed to furnish this protection are not free. Full employment guaranteed by Government and a free competitive economy are contradictory concepts.

H. R. 2202 is suggestive rather than mandatory, vague rather than specific.

Let us suppose the bill is passed; let us suppose that the President estimates that there will be 6,000,000 unemployed in the next fiscal year; let us suppose that Congressmen accept this estimate as correct, although no one in the past has been able to forecast business activity in the future; and let us suppose that Congress seeks to follow the suggestion in H. R. 2202 to forestall the expected unemployment. The first duty of Congress under this bill will be to increase private employment. Congressmen will consider banking and currency. What kind of tinkering with banking and currency will increase employment? Will they be able to think of something to do with the banks and the currency?

Then come monopoly and competition. What action will Congress take in regard to monopolies? Next come wages and working conditions. Perhaps the legal workweek can be reduced to 30 or 25 hours. This might reduce unemployment but without increasing the output or the total hours worked. After all, output is not the objective of this bill. Employment might be increased by repealing the minimum wage law—but this would interfere with the objective of remunerative wages.

Next in line come foreign trade and investment. Perhaps we could loan more money to foreigners so they could buy more of our products. Perhaps we could subsidize cotton, wheat, and other exports to help foreigners to pay for our products. Or could we make gifts to foreigners?

The Congress will study agriculture. Will a reduction in the output of crops and livestock increase employment?

Then Congress can study taxation. We can reduce taxes on persons with low incomes and increase the taxes levied on the rich. But then the rich would have less money to use in expanding industry. Or we could reduce taxes and print more bonds. But this would be inflationary.

Next comes social security. We could increase the coverage and increase the benefits. But this reshuffling of the money would not increase purchasing power.

If the bill is so good it can insure full employment, workmen's compensation for unemployment will be unnecessary.

Therefore, Congress must rescind all existing legislation that provides for workmen's compensation or unemployment insurance.

Mr. BENDER. Where do you find the word "coercion" in this bill?

Mr. KANE. Mr. Bender, in the earlier part of my statement I made the following comment:

In our report on H. R. 2202 we have sought to answer four questions:

What are the objectives of the bill?

Are the objectives of the bill a proper and legitimate field for congressional action?

What effects, desirable and undesirable, would result from enactment of the bill?

What other means are available for obtaining those objectives of the bill which are desirable?

What are the objectives of the bill? Briefly stated, the main objective appears to be a Government guaranty of jobs to all wage earners. This bill seeks to guarantee a continuous and satisfactory income to one class of our citizens, viz, those who work for wages. We assert that the objective of the bill is to benefit especially that minority of certain wage earners whose services are least in demand and who are consequently most likely to be unemployed on account of their location, occupation, or personal traits, habits, and qualifications.

It is the responsibility of Congress to write laws in precise language with precise definitions of these words, particularly phrases capable of various constructions. It is difficult to analyze, with any certainty, the objectives or merits of H. R. 2202 because the bill contains so many words and phrases which are vague, uncertain, and undefined. We refer to such words and phrases as these: "full employment," "free competitive private enterprise," "useful employment," "remunerative employment," "regular employment," "full-time employment," "national income," "level of prices," "national wealth and well-being," "inflationary dislocations," "largest feasible volume of employment opportunities," "general health and welfare of the Nation," "all Americans able to work," "economic program with respect to taxation," "banking and currency," "monopoly," "wages or working conditions," "foreign trade and investment," "agriculture," "social security," "housing," "national resources."

Whereas the first draft of this bill gave definitions of full employment, gross national product, and Federal investment and other expenditure, the present bill gives no definitions of the vague, ambiguous, and indefinite words and phrases which occur throughout the bill. Were the framers of this bill unable to define the terms which were used? It seems reasonable to expect, or insist, that a law of Congress should be written in precise language and that words and phrases of uncertain meaning should be defined, so that citizens, legislators, and the administrators of the law may know what the law required. This bill clearly fails to meet this standard.

As an example, what is meant by "full employment"? The first draft of the bill gave this definition:

The term "full employment" means a condition in which the number of persons able to work, lacking work, and seeking work shall be no greater than the num-

ber of unfilled opportunities to work, at locally prevailing wages and working conditions for the type of job available, and not below minimum standards required by law, and in which the amount of frictional unemployment, including seasonal and technological unemployment, and other transitional and temporary unemployment, is no greater than the minimum needed to preserve adequate flexibility in the economy.

Even this definition—omitted from the present draft—itself calls for definition.

How do we determine the number of persons able to work? Almost everyone is able to do some work. How much work and what kind of work must a person be able to do in order to qualify as one who is able to work? How much unemployment is necessary to preserve adequate flexibility in the economy?

Other examples of uncertainty in the present draft are plentiful. Is a person unemployed who refuses a job because of the type of job, or the wages offered, or the location of the jobs? What is meant by useful employment? By remunerative employment? What is meant by national well-being? What Federal activities are contemplated in regard to banking, competition, wages, agriculture, and social security? Make no mistake, we ask these questions with utmost sincerity.

No one knows how many people are unemployed. Estimates vary greatly, as indicated by this chart from page 93 of the Social Security Bulletin of 1940. H. R. 2202 may be likened to a statistical and verbal fog in which nothing can be seen clearly or distinctly.

The short title of this bill "Full Employment Act of 1945," is grossly deceptive. This bill, if enacted, will not guarantee jobs for all or bring what is popularly understood as full employment. Senator Murray admits this for he states in the Congressional Record of January 22, in answer to the question: "Does the bill guarantee to everyone the kind of job he wants?" "This is not a bill to guarantee jobs to any individual." The bill requires the President to advise Congress as to the appropriations which he believes will be necessary to bring full employment. The bill does not require this Congress, or any future Congress, to appropriate the sums requested, or to appropriate any money at all. A more accurate short title for this bill would be "An act to request the President to furnish Congress certain statistical estimates in his annual message." If this bill was designed to give to wage earners the impression that the enactment of this bill would guarantee jobs to all, then the title "Full Employment Act of 1945" is a cruel hoax.

Mr. BENDER. I did not really ask you for that, Mr. Kane. I was discussing this matter of the word "coercion" as to where it appears in this bill.

Mr. KANE. Mr. Bender, those four questions, and that matter which I have just presented after that, have to do with the objectives of the bill and the proper and legitimate field of congressional action, and in that connection I would like to say this: Presumably the sponsors of this bill hope that the bill, if enacted, will result in a condition which was formerly called prosperity or good times.

These older terms were inclusive and indicated high levels of production and consumption and greater satisfaction for all citizens, farmers, professional people, employers, and wage earners. The new term "full employment" is more circumscribed and refers, not to the general welfare of all but to the welfare of a class; those

who work for wages. Prosperity comes when we have an abundance of goods and services. Labor is not the sole cause of abundance. Other factors which cause abundance are natural resources, technological improvements, and accumulation of capital, equitable laws, and so forth.

The rise in our scale of living, the great increase in real wages, has been accompanied by a great decrease in human toil. The proponents of full employment seem to believe that labor is the principal or sole factor which brings abundance. Economic activity consists in making an effort to secure a result. The effort involves sacrifice—the result is satisfaction.

Progress consists in increasing the results and decreasing the efforts. A logical social reformer would say: Let us increase abundance and decrease the effort. Let us have more goods with less toil. The advocates of full employment put the cart before the horse. They think of labor as an end rather than a means to an end. They say: "Let us have more toil. Let us increase the effort." They speak for special interests, not for the general welfare. The amount of labor required to produce a given quantity of goods in this country is less than a third of the labor required a century ago. Wage earners have been the principal beneficiaries of this progress, for now they work less and have more. They now enjoy things which in the past were luxuries for the rich.

Our objective should be abundance, not full employment. The depth of absurdity in glorifying the means rather than the end was reached by Sir William Beveridge who said in his book on Full Employment: "It is better to employ people on digging holes and filling them up again, than not to employ them at all." That would be boondoggling.

Are the objectives of the bill a proper and legitimate field for congressional action?

The duties and responsibilities of Congress are specified in the Constitution of the United States. The legislative power of Congress is restricted within the confines of the specific powers delegated to it by the States. Primarily, those powers relate to the preservation and advancement of the Nation as a sovereign power, and to the limitation of the powers of the States as to certain matters of national import.

The Constitution, basically, was the implementation of the philosophy expressed in the Declaration of Independence, which stated that the people, as individuals, had certain inherent rights above and beyond the power of government to abrogate. This bill is entirely foreign to the theory of the Constitution, insofar as it attempts not to remove hindrances, but affirmatively to create a right in addition to the individual's inherent rights, and then coercively to effectuate that right.

There is no inherent right, legally or normally, to a job. Congress has no power to create rights beyond the fields in which it has been delegated specific powers. To admit that Congress has the power to create the right to a job carries with it the admission that Congress would have the power to take away the "right" to work. The extension and retraction of such powers is characteristic of an all-powerful totalitarian form of government, but is distinctly contrary to our form of constitutional government.

To admit that Congress had such power "in order to promote the general welfare of the Nation" would utterly destroy the theory of lim-

ited government embodied in the Constitution, and would give Congress power to legislate in any manner which, in its judgment, is calculated to promote the general welfare of the Nation. To admit that any legislative measure which, in the judgment of Congress, would tend to stimulate economic activity was included in its power "to regulate commerce with foreign nations, and among the several States, and with the Indian tribes" would effectively remove any limitation on the authority of Congress.

The courts have been loath to examine the wisdom of policy decisions of Congress and, therefore, if Congress has the power to legislate in any manner which, in its policy judgment, would promote the general welfare of the Nation, then there would be no constitutional power in the courts over the exercise of the legislative function.

If, in its constitutional power, to "provide for the common defense," Congress can declare that to "strengthen the national defense and security," it can undertake to see that jobs are provided for all, there is no limitation on what it could do in the name of national defense. If the national defense would be strengthened by having everyone employed, it would logically follow that Congress could legislate a vitamin diet for all citizens which could be calculated to increase their physical stamina, to the end that the national defense would be promoted. Plainly, the sponsors of this bill disregard entirely the limitations on the legislative powers of Congress.

While the unconstitutional nature of this bill is a sufficient reason for our opposition, there are other basic reasons why a full-employment bill is not a proper field for congressional action. What are the legitimate functions of government? There are two schools of thought which give conflicting answers to this question. One school contends that Government should exercise extensive direction and control over the economic activities of the citizens. The other school believes that, in economic affairs, the citizens should be free from control or regulation by Government, excepting as to police powers, the regulation of natural monopolies, and actions which cannot be undertaken by private enterprise because the costs cannot be collected privately from the beneficiaries, or because collective action is more economical. The adherents of the latter school believe in economic freedom.

H. R. 2202 seeks to effect a "coercive" transfer of property. If Congress implements the plans outlined in the bill, it will take property from certain citizens in order to pay wages to other citizens; not to secure goods and services desired by the public, but to provide employment to job seekers who are unable to secure, or refuse to accept private employment. Public works of certain kinds that are legitimate should be undertaken when the value of the public works to the public exceeds or at least equals the cost. It is probably desirable to increase public construction in hard times and to reduce public construction in good times. But public works should be undertaken because they are needed, and not primarily to furnish a market for the producers of steel, cement, and lumber, or furnish jobs to workmen. Public works should promote the general welfare rather than special interests.

The phrase "the right to work" may be defined in two ways:

It may mean that no person or group of persons has the right to interfere with or hinder a person who, alone or in voluntary coopera-

tion with others, desires to work. In this sense, it means the preservation of a valuable freedom. Thus, a picket line which prevents a workman from passing through a factory gate may be said to deny to the workman the right to work.

It may mean that job seekers have the legal right to compel certain persons or groups to employ them. In this sense, those designated by law as having the obligation to employ the job seekers, are denied the right not to employ.

It is this second definition which applies in the original draft of H. R. 2202, in the statement:

All Americans, able to work and seeking work, have the right to useful, remunerative, regular, and full-time employment.

In the revised draft, the phrase "right to employment" has been replaced with the phrase "right to an opportunity for employment." The duty or obligation correlative to this so-called right to work might be stated like this:

Certain Americans are under the legal obligation to furnish all job seekers useful, remunerative, regular, and full-time employment.

If Congress passes and implements H. R. 2202, the legal obligation to employ would be assumed by the Federal taxpayers. To compel a person, against his will, to employ a job seeker, would be unjust and tyrannical. This injustice and tyranny is not obviated by distributing this obligation over all the Federal taxpayers. It is only when the employer would suffer loss by hiring more workmen that it is necessary to compel him to hire by the coercive power of the law. This coercive employment would result in the transfer of property from the employer to the employee.

We see then, that the right to work as defined under "B" is in conflict with the right to property. We can have one of these rights—but we cannot have both. The right to property is simply the right of the individual to own, possess, and use that which he has produced or legitimately acquired. But the "right to work" as contemplated by H. R. 2202 requires the Government to take property from the owners and give this property to workmen, so that the workmen can produce something that neither the public, employees, nor the taxpayers will buy of their own free will. Such right to work necessitates an impairment of the right to property.

Communists attack the right of property. They advocate taking property from those who produced it and giving this property to those who did not produce it.

History confirms our belief that the right to work is communistic doctrine. The Communist Manifesto of 1847, proposed—

The equal liability of all to labor. Establishment of industrial armies, especially for agriculture.

The French Socialist, Considerant, said a century ago:

Very well, let an industrial society, which has appropriated the land, and taken away from man the power of exercising freely and at will his four natural rights, let this society cede to the individual, in compensation for those rights of which it has despoiled him, the right to employment. On this principle, rightly understood and applied, the individual has no longer any reason to complain.

The condition *sine qua non*, then, of the legitimacy of property is, that society should concede to the *proletaire*—the man who has no property—the right to employment; and, in exchange for a given exertion of activity, assure him of

means of subsistence, at least as adequate as such exercise could have procured him in the primitive state.

In 1848, the French Communists passed a right to work law and it worked so badly that it was repealed in about 6 months. The Russian Communists have a right to work article in their constitution of 1936, which reads as follows:

Citizens of the USSR have the right to toil, that is the right to receive guaranteed work with payment for their toil in accordance with its quantity and quality. The right to toil is insured by the Socialist organization of national economy, by the increasing growth of the productive forces of Soviet society, the elimination of the possibility of economic crises and the liquidation of unemployment.

We do not say that all who favor a right to work law are Communists, but we do say that for at least a century, Communists generally have advocated a right to work law. The coercive transfer of property required to implement H. R. 2202 makes wealth and income depend on the arbitrary action of the State and is the very essence of communism.

It is interesting to note that the principal advocate of full employment laws in Britain, Sir William Beveridge, is a Socialist who does not believe in private property. He says, in his book on full employment:

The list of essential liberties given above does not include liberty of a private citizen to own means of production and to employ other citizens in operating them at a wage. But if it should be shown that abolition of private property in the means of production was necessary for full employment, this abolition would have to be undertaken.

We do not believe that we should take the first steps in a program which might eventually compel all workmen to work for the Government. We do not believe that the majority of workmen are Socialists or Communists.

What effects, desirable and undesirable, would result from the enactment of this bill? As the bill stands, the effects would be negligible. The President would prepare some estimates of prospective unemployment in the next fiscal year and a suggested program of Federal expenditures to eliminate the expected unemployment. A joint committee on the national budget would study the President's estimates and program and make a report to the Senate and House of Representatives not later than April 1. After the estimates and reports have been filed, the bill requires no further action. Congress is under no obligation to follow the suggested program or to make the suggested appropriations. The mountain has labored and brought forth a mouse. The law which was hailed to bring full employment produces nothing but reports and estimates.

What will workmen think when they discover that after all the fanfare about full employment, all the bill calls for is estimates, reports, and suggestions?

Mr. BENDER. Do you think that constitutes an answer to my question?

Mr. KANE. It is the best answer I can give you. I always think that a studied-out, carefully conceived answer is better than thinking out loud.

Mr. HOFFMAN. I think that is something which we can all agree upon. In this we come back directly to the fact that it is the taxpayers'

money, and the Government simply coerces the taxpayer to pay the money in, and then they spend it for these things.

Mr. KANE. He certainly has to pay it that way.

The CHAIRMAN. You may proceed now, Mr. Kane.

Mr. KANE. I would just like to suggest in connection with the social security laws, that if we are going to put these into effect, then we can dispense with them. Also, it seems to me that we should repeal unemployment compensation.

The CHAIRMAN. If we do that I do not think that we can repeal unemployment compensation because we will have to build up the funds to pay for these Federal work projects, so I think it would be necessary to transfer the unemployment compensation withholdings into our earmarked funds to pay these people who are going to work on Federal projects.

Mr. RICH. It would simply be a tax bill.

Mr. KANE. I do not think the social-security bill is much more than a tax bill, and at the time it was passed it was the greatest tax undertaking that had ever been heard of in the history of civilization if it had gone through on its projected percentages of increase every year, it would have piled up \$49,000,000,000 in 7½ years, and the experience has proven that the men who had the wisdom to cut down any such increase on that scale, taking into consideration their proposition that it was unnecessary, has been proven to be correct.

The CHAIRMAN. Mr. Kane, the Budget Bureau estimates we will have 8,000,000 people unemployed. If we pass this bill it will take \$24,000,000,000 to give them jobs, so we will have to tax the people to pay that \$24,000,000,000.

Mr. BENDER. Is it your understanding that these 8,000,000 unemployed will be given jobs by the Federal Government?

Mr. KANE. I would say, Mr. Bender, that the duty of Congress is to go along with the bill, and if they are unemployed, it is because private industry cannot employ them.

Mr. BENDER. And your understanding of this bill is having the Federal Government provide 8,000,000 jobs for these people by the Federal Government?

Mr. KANE. Yes; that is correct.

Mr. RICH. For everybody that needs a job.

Mr. KANE. Not everybody that needs a job; everybody that wants a job; not provide them for them that need the job, because there are many people that probably need a job who would not take a job, especially when they do not have to.

Mr. RICH. One of the questions on this, taking into consideration we are now charging 1 percent on social security, the bill was originally to have been in effect by this time 1½ percent, for each year, but we have continued it at 1 percent. So that the additional 1 percent over and above the 1-percent tax insisted upon that we collect at that time by our late President, and if it were not for the great speech of Senator Barkley in our Senate when the Senate was chastised for not putting that into effect, as the taxes were needed, was that we needed money to pay for other things and Senator Barkley said it would be dishonest for the money so collected to be used for paying expenses of the Government rather than putting in the reserve for this particular fund.

Mr. KANE. He certainly did, Mr. Rich, and he was the first man

that publicly came out and demanded that we use funds accumulated for social security for no other purpose than the one for which they had been collected.

Mr. WHITTINGTON. In that connection, as I understand it, you represent the business organizations of Detroit, Mich. With respect to the increase of unemployment compensation, and with respect to this full employment bill, I would like for you to state for the record whether or not from your observation and in your opinion the measure here such as the one pending would be inclined to encourage people not to work if they were not inclined to work at present wages, and want higher wages: is that your observation in your area?

Mr. KANE. That certainly is, because we have examples of it multiplied many times over daily of people who are now drawing compensation checks from the unemployment funds of the State of Michigan, because they have been informed that they were unemployed. They have been informed that they have a great many millions of dollars in the fund there, and they are not working at all, when there are places trying to employ them, but they will not accept the employment because they have been paid what we will term under the very broad term of "war wages," and they do not want to take less money. So they will not accept any job because they are having a paid vacation.

Mr. WHITTINGTON. Would you or would you not be able to state that the passage of this bill at this time would make matters, bad matters in your area, worse by leading those people out there to believe that if they did not accept work that might be available, then the Government would provide work for them?

Mr. KANE. Yes; I would say that so very emphatically, that would be correct.

Mr. WHITTINGTON. That would be a fair statement with respect to the Detroit area?

Mr. KANE. Yes; that would be true as to the Detroit area.

Mr. WHITTINGTON. As I understand it, you believe that passage of either the House or Senate bill that we have under consideration instead of promoting full employment or reasonably stabilized employment would result in further unemployment?

Mr. KANE. I do say so because of the fact that right now there is a fat pocketbook with the wage earner, and it naturally will be depleted, and then it will have to be replaced by wages of some sort, no matter whether they are satisfactory or not, but he has made certain calculations and he has said, "Well, I will not bother about going back to work for a good many weeks because I can live on \$25 a week that I can get because of the unemployment compensation, and I am going to sell some bonds, and I am not going to stay here for this winter anyhow." So he has very little moral stamina, his moral character has deteriorated. He has no longer the attitude of the American that we are so proud of, that worked so hard and that felt that work is the most dignified occupation of man. His thought is that when you cannot get what you want you take what you can get.

Mr. WHITTINGTON. How do you work this under the laws of Michigan? Under the laws of Michigan is your unemployment compensation paid to workers that cannot obtain jobs?

Mr. KANE. There is nothing done along that line, there is no development of that point to final determination. The present procedure

consists of making an application to their unemployment commission, through their branch offices, and making the statement that he is unemployed and therefore is entitled to the benefits as provided under the act. That is what they follow and they do not follow it any further.

Mr. WHITTINGTON. Is not that a failure on the part of your State out there?

Mr. KANE. I think it is in the field of general psychology that exists on the part of the people that they are getting paid for doing nothing.

Mr. WHITTINGTON. Your State law provides that they shall not get paid if they can get reemployment?

Mr. KANE. I do not know whether I am answering your question or not, but I want to, and I am not trying to be evasive, Mr. Whittington, but I will merely say that when these applications are made on the part of these men, to draw remuneration provided for under the unemployment laws of the State, they simply state that they are unemployed and they get the money.

Mr. RICH. May I say here to my colleague from Mississippi that in Pennsylvania this incident happened rather recently. Some of the members of the CIO came down to visit me, and they were employed in an aviation factory. I asked them why they could not get work and they said they could not get jobs except for 35 cents to 40 cents an hour, and I did not believe that. I tried to find out what the facts were. I found out that as a matter of fact they could get jobs at 75 cents an hour to \$1 an hour, so they could be drawing \$35 a week or \$40 a week, and they would be drawing this money if they had taken the work, but they would not take these jobs, and they preferred to stay on unemployment compensation at \$18 a week, they would rather take that and do nothing than be drawing the wages of \$40 a week that they could get, by working but they did not want to be reduced from the wages that they formerly got in aviation.

I was not satisfied with this and the other day I received a letter which said, to the effect that in talking with one of their customers a few days ago who hires about 60 people, and who is located in my district, he advises that he had 14 individuals pressing him to be fired. He said that they were deliberately refusing to do any work and insisting on being fired, and they plainly stated that they wanted to go on unemployment relief. They are making the complaint that they want to go on unemployment relief, and they really do not want to do any work at all.

Mr. WHITTINGTON. I was wondering if we could have the State statutes provide that they have follow-up people to investigate the system, and statements of these workers that they are unemployed, without being able to obtain employment.

Mr. KANE. I would like to make this comment in connection with that Mr. Whittington, that in essence I am an employer, I am an executive of our company, and I have some discretion as to personnel. We have tried to employ people who are presumably out of work, otherwise they would not come in and apply for work. I think it is reasonable to assume that they are fully aware of the facts, and these individuals are drawing unemployment compensation while they are out of work, and after an examination of them and after we have discussed the work that has got to be done, and the hours to be put in and the wages to be paid, they turn down the job.

Mr. BENDER. That is your experience?

Mr. KANE. That is correct, it is.

Mr. BENDER. Are you not a little more choosy now in the kind of people you employ as to their age and other qualifications?

Mr. KANE. Mr. Bender, I have no intention whatsoever of evading, and I think I get the point very clearly. I would say we are not now more choosy, but we now have a greater number to select the person from than we had just up to recent times. VE-day, that is to say, we would place an advertisement in the paper and run it for what we call a 3-day rate, and we would get no replies, and then we would run it for another 3-day rate and we would get two replies.

Now when we want a couple of employees we put an advertisement in the paper 1 day, and six or seven people call; naturally we are more choosy, but the question is not wholly as to whether we are choosy or not, and my point is that the employer may be more choosy today because the employee also is more choosy today because if they have unemployment insurance, the unemployment compensation comes in. If they do not like the hours and do not like the wages they turn down the job. It is different from my own personal experience, because I have worked ever since I was a lad, and I used to take any job I could get until I could get one that I liked better.

Mr. BENDER. You indicated, Mr. Kane, during the war, that they were in the habit of getting war wages, under the system of cost-plus operation. You say they preferred unemployment compensation to any kind of employment. Is it because they are willing to take the Federal pay that they get or take the unemployment pay, rather, that the States provide, rather than take these positions?

Mr. KANE. I think that these people are simply taking time off, I do not think it is a vacation in the same sense that we used to take weeks off, we could take it off because we did not get paid for our vacation, but now these people get a vacation and they get paid for it, and they can extend that for quite a while, because they can go along at a weekly salary, and they say they do not want to work, whereas in the olden times they did not get paid for it if they did that, now they get paid, and they probably make some calculations something like this: "I have so much bonus, and I have so many bonds, and I will take \$25 a week or \$20 a week unemployment insurance, and I will get along on that."

Mr. BENDER. Mr. Kane, in today's Washington News there is an article from Cleveland, and this is part of the article that I want to read and ask you for your comment. This is an article by Thomas L. Stokes entitled "Cleveland Paradox," and reads as follows:

CLEVELAND, October 23.—Much is being said about what appears to be a current paradox.

This is the existence of large pools of unemployed war workers while jobs are available. It is true that there are not nearly enough jobs to go around, even if it were merely a simple matter of putting jobless into jobs, willy-nilly.

The more you dig into it, the more complex it becomes. One contributing factor that has been underemphasized is the increasing choosiness of employers. They are raising their standards, setting up more rigid specifications. The reason for this is fairly obvious and is natural.

The employer looking for help finds a large work force from which to choose. He doesn't have to take just anybody. He wants the best he can find. So he passes up the less efficient in the large class of marginal workers who got good jobs during the war because of the demand, but are not so readily employable

in ordinary times. This marginal supply of workers is churning about, shunted back and forth between employment offices and employers.

In the Ohio-Michigan-Kentucky region of the United States Employment Service, which has headquarters here, on October 1 there were an estimated 450,000 unemployed and 66,000 jobs available in the 16 largest metropolitan areas. A comparable ratio exists in other large industrial areas.

Once again, as in the depression, there is the disturbing problem of the older worker, the man over 45. Very few of these are being employed now. The ban is general. Here in this three-State region 75 percent of men drawing unemployment benefits are 45 or older.

Women are a big problem, too. Many of them are returning to their homes. But many also have decided from their war experience that they want to keep on working, single women who want more independence and more money to live and dress better, married women who want to improve their standard of living.

Fifty-four percent of those on unemployment benefit rolls in the three States are women. But, of the 66,000 jobs open in this region, only 12,000, or 18 percent, were for women. Women have been barred almost altogether from factory employment. It is true, of course, that some women who have no intention of continuing to work went on the rolls to draw their benefits.

In addition to turning down women and men over 45, employers have set up many other qualifications. They have not gone so far as the color of hair or eyes, but almost in some cases.

Education requirements are now specified by many employers. Many include even height and weight for laborers; for white-collar workers there are requirements for personality and appearance.

All these things contribute to the frustration seething under the surface in the country today.

Do you have any comment on that?

Mr. KANE. I will say that that is probably getting closer to our normal employment period than the abnormal one that we have had in recent past. Private employment has an entirely different concept of engaging personnel from what the Government has. The private employer has to first, if it is a job which demands skill or experience, make sure that the person that he engages has that skill or that experience. Otherwise, he is confronted with replacing him at a later time, because he does not have the skill and experience which is necessary to conform with the plans that the employer has in mind.

On the other hand, in times when you cannot get men with that skill and experience, you often make adjustments to your work and do that in various ways by dividing up the aggregate amount of work that an individual would do, if they were capable of doing it, by spreading it around through somebody else, and getting them to do some part, smaller part of the task. So, I am sure I can say to you that in the past if you have in an office, suppose you have an accountant, your chief clerk, your head bookkeeper, and your assistant bookkeeper and three or four invoice clerks, and billing clerks, and perhaps you have two or three stenographers. You find that you have an additional stenographer to take care of, but you do not want to get away from the filing work. When you do not have the additional stenographic work you use the girls that are doing the stenographic work, to do the filing. So, if you do not have the time for them to accomplish that, you bring somebody in, and you give that to one girl, who can do the filing, and take it off of the other girls' hands.

If somebody came into your office from the country and did not have office experience of any kind, and you were faced with unskilled help, no experience, no skill, never had worked in an office before, when you have to take in somebody, and say, "Won't you come in

here, and I will help you to learn the work"—I have done that myself. It is no longer, I think, unfair for the employer when he puts an advertisement in the paper to select a person who has that skill and experience, if they can get them, and if that is what you would term "choosey," then I would say "Yes."

Mr. BENDER. Let me ask you another question: Agreeing that we have too many people on the Government pay rolls, we could not but admit that we could get along very well—I am not talking about the war, but we could get along very well with a lot fewer people. What are you going to do with these people when they are taken off the Government pay rolls? Sooner or later they will be taken off the pay rolls, and what are you going to do with them? Sooner or later we will have to face this problem and problems which will be more and more sizable, but of the same nature, and of course I can see your point very readily, but what I am concerned with is what we are going to do with these persons who just do not fit in.

Mr. RICH. May I ask the gentleman, should not we have been taking them off during the time of the war, and put them into employer pay-roll categories?

Mr. BENDER. Exactly; but we are faced with a definite situation today.

Mr. RICH. Yes; we should have taken them off 5 or 6 years ago.

Mr. KANE. If I knew your answer I should have been making the talk before the joint Houses of Congress today at 12:30 noon, but I do not know the answer. But I do know this, that the normal condition is one in which there are unemployed people for very, very many different reasons. There are many thousands of people who would not be heard by any sensible employer for a number of very sound reasons as, for instance, drunkenness, lazy people, totally unreliable people, stupid, and people who are not mentally suitable to be employed, as well as people with criminal personalities, and people who simply are not possible to work in with other people, but according to this bill all of these people have the right to employment, and like the rain that comes from heaven, the benefits of this bill fall on those just the same as they do upon our sound citizens who are really trying to do something.

The CHAIRMAN. Mr. Kane, in response to some of the questions that Mr. Bender put to you about the Government employment of our people, we have a number of girls that have been brought into Washington to do stenographic work when they did not know a typewriter from a smoothing iron—they never were stenographers, yet we have to have them. You cannot expect a private lawyer or an accountant or a businessman to hire those girls.

Mr. KANE. I admitted that frankly, I said that we were choosey.

Mr. RICH. Mr. Bender, since the Government, in the laws that they have created in the last few years, has done what it has, it has made it very difficult for elderly men to get a job. The Government is responsible for the fact that business today is picking out the younger men because of the laws that were passed, and if the Government is going to insist on a lot of these laws, and expecting a man to take everybody that comes in, it is going to be a difficult proposition, because there are lots of men applying for jobs that are of such a nature they could place them on the job, and therefor they would like to

take them, but they could not take them at the regular standard rate, because these people cannot produce up to the standard of production, and the man is therefore unemployable and is thrown out of work. That is the reason for that.

There is another question I wanted to ask you, that matter of the paper that your secretary brought in and laid before you to read.

Mr. BENDER. I sent for it.

Mr. RICH. It does not make any difference whether you sent for it, but was that not an article written by Mr. Stokes?

Mr. BENDER. Yes; Thomas L. Stokes, as I said before.

Mr. RICH. I thought that was what you said. He has written a number of articles on New England, and they had the same article up there, but the fact today is, in New England the condition is that we have more jobs than workers. I want to say to you that in Williamsport, Pa., and in Lock Haven, and similar places, there are more jobs than workers, but they do not apply for them and they do not tell you about it. There might be in a few of the large cities a shortage of jobs, but in the average over the country that is not the condition. Furthermore, there are a lot of people that ask for jobs that do not want the job. They ask for the job, and they say they cannot get it, I tell you that. That is just like the CIO people who said they would not take 35-cent an hour jobs, and they could not get any better jobs than that. I did not believe it. I wanted to know, so I investigated, and I find out that they could work for \$40 a week, or a dollar an hour for the right person rather than that they go on relief at \$18 a week. So I think that we have reasons on both sides.

Mr. KANE. Mr. Bender, may I ask you this, sir; the number of unemployed over and above the jobs available in the Cleveland area, what relation does that have to your prewar status in Cleveland area? What I am trying to show is how many of your people have come in from Tennessee and Alabama and other parts of the country because of the attraction of war wages and the necessity of war work—nobody disclaims that at all—but they are now in the Cleveland area, and they are in-migrant workers; what is the number of unemployed in-migrant workers?

Mr. BENDER. Considerable.

Mr. KANE. I think so. I think that your main problem is the same as the problem in Detroit, and we are just filled with as much of the milk of human kindness in our hearts as anyone else, but we do have this problem, and we have to meet it in a sensible way.

Mr. BENDER. Frankly, these people have had a taste of high life.

Mr. KANE. They have it all figured out. I used to take my wife and children when they were smaller on a vacation, and we could go for 2 weeks, and it did not cost me more than \$115, and today now I notice that in Congress they have passed a bill allowing \$200 travel pay for these men so that they can go back, and I would like to know why they do not take the profit that they have made on these wartime jobs to do that? What is the intention of the man having these wages entirely unrelated to the things that he accomplishes and entirely unrelated to any wage in peacetime? What is that man supposed to do with that \$2,000 or \$3,000 or \$4,000 cash or reserve funds or assets that he has built up in 1 year in war wages? We have got people in Detroit, Mich., that never earned over \$18 or at least \$28 a week, and

they are drawing—they are not earning—\$115 a week or were until the war was over.

Mr. BENDER. That is under the cost-plus plan of operation.

Mr. KANE. I do not care what plan it was—and they have gotten out, and they were not earning it, they were getting it, but they were being paid it although they did not earn it, of course not. I know that you and I, certainly the same you, I, and the rest of us here in the years in which our income is accelerated, we take care of the years that are not going to be so good, because we have fat years and we have lean years, but we do not go to any public official and ask for money. We do not go down and ask Congress to give us the money to carry us over, and we do not call on Congress to put us on the pay roll there because we are getting a little less return this year than we expected to spread that over a period, and we are paying too much concern to these people who are doing that thing. I say to you, frankly, that this thing has to be handled on a more sensible basis.

Mr. BENDER. In 1938, before the war, in Cleveland, Ohio, we had 78,000 on the WPA in October 1938, 78,000. We do not want that to happen again.

The CHAIRMAN. How many in January 1939?

Mr. BENDER. Frankly, I remember that figure very well, because I checked it, but I believe it was reduced a little.

The CHAIRMAN. That was election year and that probably accounted for it.

Mr. BENDER. Possibly that may have had some bearing on it, but I know that is the fact because I checked the record.

The CHAIRMAN. That is what the Republicans contend was caused by the Democrats. Dr. Schacht and Hitler, those people solved the problem without difficulty.

Mr. KANE. We do not deny that they solved the problem and we can accomplish full employment under a totalitarian form of government, or under a dictatorship.

Mr. BENDER. We do not want that sort of thing.

Mr. KANE. Of course, we do not want that sort of thing.

Mr. BENDER. We do not want any part of the Russian system where they have full employment but no freedom.

Mr. KANE. These particular features that we are dealing with now, we are really thinking out loud, and a considered statement is always more emphatic and usually more reasonable than thinking out loud, but while we are thinking out loud on these vital problems, and trying to sit down and work out some of these things, I think we have come to some conclusions that are quite important. I was referring in my earlier remarks to the fact that we would have to recapture and it will never be recaptured by any individuals so long as we are catering to their weaknesses, I mean recapture the spirit of our forefathers. You cannot rehabilitate a man's spirit by giving him money. You must give him some moral stamina, you must get that into the man. You must get fear out of a man, and stand behind him, and support him. We cannot get the fiber of a man built up into something if we build it up with fear, and we try to support him so that he leans upon us. That has been going on for a decade. This is a further step in the same direction. I hesitate to classify it in the one way or another, but in one word I would say we are leading toward socialism in this country, and even beyond that.

Mr. RICH. Is it not a fact that if we have 25,000,000 businessmen out working to create jobs, that they can create more jobs in the time that we have allotted than it is possible for Congress to create jobs?

Mr. KANE. That is the way I think it would be, but we still have to be protected.

Mr. RICH. If you give them the opportunity to do something.

Mr. KANE. Mr. Bender very properly put up the question about the employment employers being more choosy now, and I think that in a sense that described it or qualified it that that use of the term is correct because businessmen cannot and do not have the resources that the Government has to take people on its pay roll.

Mr. RICH. He has to know where the money is coming from, and he has to get a dollar's worth of work for the money he pays out, or he will go into bankruptcy. Let me ask you this question: In England, since the labor development over there, and the labor group has taken over the Government, they have found out that they can create jobs, and they can tell the men just what jobs they have to take in the operation of their Government, in taking over the railroads and coal mines, they can only do that, they can take this house or that one. They found out very shortly that they have a socialistic form of government in England, and the things are tending in this country. I think we are faced with and tending very fast toward it, and there is nothing in the world that will tend to socialize us here in America more than this bill.

Mr. KANE. I would like to turn again to this statement and say this:

Development of natural resources is next in line. We could build some more dams and conserve some more soil, but the money spent for these projects would reduce private expenditures and private investments. Past experiences indicate that Government is not very effective in increasing private employment.

From 1930 to 1940 all sorts of laws were passed to increase employment, and we had mass unemployment during the entire period. The President and Congress, however, could probably think up some laws to pass and then they would estimate how much private employment would be generated by these new laws. Deducting this amount from the projected \$6,000,000 would give the unemployment to be eliminated without the help of private enterprise. These programs suggested in the bill are not to originate in Congress but are to be transmitted to Congress by the President. The balance of the unemployment, after the expected stimulation of private enterprise by the new laws is to be cured by Federal investment and expenditures.

While the bill specifies that these Federal expenditures shall contribute to the national wealth, there is nothing in the bill to indicate that this contribution shall equal or exceed the costs. The bill provides that the public works shall be built by private contractors. Will the private contractors be free to discharge incompetent workers? If they do discharge incompetent workmen, what becomes of the right to work? If they cannot discharge incompetent workmen, the cost of the public works will be excessive.

While this bill imposes certain duties on employers and Federal taxpayers, they must provide remunerative jobs, regular jobs, and full-time jobs to all applicants.—it imposes no duties or responsibilities on the job seekers. The only qualifications for the job seekers are

that they shall be Americans. Does this mean citizens—and able to work?

There are many thousands of people in the country who would not be hired by any sensible employer. They are drunkards, bums, lazy people, stupid and irresponsible people, people with criminal propensities, but according to this bill all these people have the right to employment. Like the rain from heaven, the alleged benefits of this bill fall alike on the just and the unjust.

President Roosevelt said, in his budget message:

Our program should include provision for extended social security, including medical care; for better education, public health, and nutrition; for the improvement of our homes, cities, and farms; and for the development of transportation facilities and river valleys.

Extended social-security benefits do not implement the right-to-work principle—nor do they decrease unemployment. They allow certain people to live without working. But the persons who are living on pensions and unemployment benefits are still unemployed. Government slum-clearance projects reduce the volume of private building, and hence are of slight value in eliminating unemployment. Health and education projects have little effect in providing jobs. It would be difficult for Congress to inaugurate public-works projects to provide jobs for a large number of applicants. From 1935 to 1945, the TVA project gave jobs to only about 30,000 workers. Either the Federal projects would be scattered all over the country, or many job seekers would be required to move to the job sites.

It would be difficult to find projects which would utilize the various skills of the job seekers. The proper timing of public projects would be difficult and projects started in a depression might carry over into a boom period.

The authors of H. R. 2202 realized that it would be difficult to work out programs a year in advance, so the original draft of the bill provided that the President shall review the Federal expenditures every quarter, and may vary the rate of Federal expenditures and the direction of Federal expenditures, without the consent or approval of Congress. The final draft does not give this power to the President.

But there are more fundamental difficulties. Public works supported by taxation have no appreciable effect in reducing unemployment. The advocates of the pump-priming theory claim that the public employees spend their wages on food, clothing, and so forth, and thus increase the output of private industry and increase employment in private enterprise. The plausibility of this argument is due to the fact that the argument covers only half of the situation. The Federal taxpayers, who furnish the wages for the public employees, are forced to buy less. The increased purchasing power of the Federal employees is offset by the reduced purchasing power of the Federal taxpayers. The redistribution of existing wealth has no measurable effect on purchasing power or employment.

It is true that from 1933 to 1940 there was an increase in Federal expenditures and a decrease in unemployment. But we do not know how much of the increase in employment was due to the increase in Federal expenditures, because we do not know what the course of business and employment would have been had there been no increase in Federal expenditures. All depressions eventually come to an end

and are followed by increased business activity and employment, without any help from government.

Some economists have claimed that the decline in employment in 1938 was due to a decline in Federal expenditures. But how do they explain the fact that from 1935 to 1937 employment was increasing while Federal expenditures were declining? The facts are that Federal expenditures are only one factor, and probably a minor factor, in determining the level of business activity and employment.

Some argue that the rich do not spend all of their money, and that business can be stimulated by taxing the rich and giving the money to poor people who will spend it. The flaw in this argument is the idea that the rich do not spend their money. All money is eventually spent. The rich may buy less in the present and more in the future. They eventually die and their accumulations then will be spent by their heirs or by the Government, which collects inheritance taxes. While some are accumulating money, others will be spending money accumulated in the past. Their theories are advocated by those whose real objective is the equalization of wealth and income.

There is little or no evidence to support the theory that public-works projects in the long run can increase business activity, the general welfare, or employment. Those who argue that great Federal expenditures in war have brought full employment should consider that other factors have been operative—we have accepted a temporary dictatorship and we have impaired the value of money and we have built up forces which threaten a great inflation.

There seems to be confusion in regard to the effect of taxes on employment. In his pamphlet, *After the War—Full Employment*, Dr. Alvin Hansen writes:

But a nation may make itself poor by repayment of public debt. This is true because such repayment tends to cause deflation, depression, and unemployment.

Here the argument is that an increase in taxes causes unemployment. But H. R. 2202 assumes that taxes for public investment and expenditures will decrease unemployment.

The advocates of what is called a compensatory economy claim that taxes cause unemployment and that taxes should be reduced in periods of depression. If this is correct, then taxes to provide for greater Federal expenditures cannot reduce unemployment. Perhaps the volume of Federal expenditures has little or no effect on employment. Perhaps the sponsors of H. R. 2202 recognize that Federal taxes will not increase employment and that the increase in employment must be secured by increasing the Federal debt. Sir William Beveridge holds to this opinion. He says:

But once the possibility of deficient private demand is admitted, the state, if it aims at full employment, must be prepared at need to spend more than it takes away from the citizens by taxation.

And again:

But rigidly orthodox finance, in the sense of an annually balanced budget, involves, in the political and economic conditions of Britain, an impracticable route to full employment.

H. R. 2202 is strangely silent on the source of the funds to finance the program.

Suppose that full employment is attained. Will not the labor unions then demand higher wage rates? They would have nothing to lose if

jobs are guaranteed by the Government. If these demands were granted, the prices of goods would rise. This would be the excuse for further increases in wage rates. Would it not then be necessary for the Government to control wage rates? What will be the functions of the labor unions if wage rates are fixed by the Government? Sir William Beveridge says:

If trade unions under full employment press wage claims unreasonably, maintenance of a stable price level will become impossible; wage determination will perforce become a function of the state.

Under full employment, how would a firm with expanding sales secure additional workers? How would one secure workers to start a new enterprise? Full employment would tend to freeze existing firms to their present size and would tend to prevent the formation of new enterprises. This situation would tempt some companies to increase their prices and profits. On this point, Sir William Beveridge says:

If the private owners of business undertakings under full employment set out to exploit consumers by organizing monopolies and price rings, or abuse their economic power for political purposes, or fail, with all the help of the state and in an expanding economy, to stabilize the process of investment, the private owners cannot for long be left in their ownership.

Thus one control leads to another and what starts as a plan to give jobs to all, ends with a totalitarian state.

Now I want to sum up: What other means are available for obtaining those objectives of the bill which are desirable?

We would like to see society so organized that it would be easy for citizens to satisfy their wants by engaging in productive labor. We believe the best method for reaching this objective is to maintain competition, economic freedom, and private enterprise. We believe that public laws in restraint of trade are likely to have the same evil effects as private agreements in restraint of trade. We believe that all citizens should be equal before the law, and that it is improper for government to advance the economic interests of certain citizens at the expense of other citizens. The interests of citizens as consumers are just as important as their interests as producers.

Since most persons receive their income from one source, but spend this income in many directions and for many things, most persons are more interested in increasing their incomes than in reducing their expenditures. Furthermore, when any group secures, through Government intervention, and increase in income, the corresponding increase in expenditures is in the main a burden borne by other groups. The result is that most groups which come to Congress for special benefits present their claims as producers rather than as consumers. A small group of producers will be more likely to organize and present their claims for benefits than the larger group of consumers who will pay for the benefits.

It is the interest of producers that the things they produce shall be scarce and dear; but it is in the consumers' interest that goods shall be abundant and cheap. When Congress gives benefits to groups of producers, it promotes an economy of scarcity rather than abundance. Thus we find that laws have been passed to reduce the acreage and increase the price of farm products. The interests of farmers, as producers, were given priority over the interests of all people who consume the farm products.

Workmen seek legislation to shorten hours and increase wage rates—they desire that what they have to sell be scarce and dear. But if they succeed in getting this legislation, the goods which they produce become more expensive, and the law which helps the worker in the sale of his labor injures him when he buys the products which he produces. Duties on imports are not effective in promoting the interests of manufacturers unless they result in higher prices for the products. But these higher prices are a burden on consumers, and we are all consumers.

Since all laws to benefit producers are based on the theory of scarcity and since a decline in output necessarily results in a decline in employment, we conclude that much of the unemployment in the decade prior to the war was due to the effects of legislators to improve the conditions of certain favored groups. We believe that the legislators were influenced more by the immediate and partial effects of these laws than by the more remote and total effects. We believe that high surtaxes levied on persons with large incomes, tend to reduce the flow of capital into private industry, thus reducing employment opportunities.

We suggest that Congress reexamine the laws that have been enacted to benefit certain groups of producers, to determine the adverse effects of these laws on all the people as consumers. We suggest that those laws which tend to restrict output or raise prices, thus reducing employment opportunities, should be repealed. We believe that many of the governmental controls over economic activities should be relaxed or entirely eliminated, and that such action by Congress would result in greater abundance, greater output, and more employment opportunities.

We believe the best contribution the Federal Government can make toward prosperity and employment would be to remove numerous legal obstacles to trade and commerce and to restore freedom of enterprise so that the energies and resources of the American people may continue to expand in a free society.

There is considerable sentiment in favor of lowering the barriers which tend to limit the trade and commerce between our citizens and the citizens of other nations. It is more important, however, to remove the barriers to domestic trade, investment, and employment, that no positive law to increase employment will be needed.

I might say this was prepared by a special committee, and approved by the board of directors, Detroit Board of Commerce.

The CHAIRMAN. Do you not think that if we pass the full employment bill and the necessary legislation which is to follow in order to guarantee or assure jobs to everyone it will be necessary to limit production in factories to keep them from producing too many goods that may saturate the market, and half the factories would close down?

MR. KANE. Of course. That is Government in competition with private business; and we haven't got a Chinaman's chance when the Government goes in against us.

The CHAIRMAN. Do you think it would also be necessary to provide Federal projects in areas where they are growing vegetables, seasonal crops, such as berries, beans, peas, and so forth, because we cannot afford to have those workers migrate anywhere else to get a job, because it might cause an unemployment situation there? They

might get too many people, so that we would have to divide the Federal works projects in those areas growing the vegetables that I have mentioned? Those things do not just grow themselves; somebody has to work to produce them.

Mr. KANE. I think we have to take a stand somewhere along the line, whether you are in favor of our past history of the American people in progressing by business ingenuity and industry and constantly increasing the standard of living or not, instead of short cuts by legislation that allow the man who is on a lower scale of earning wages to suddenly earn, or at least be paid—the earning is doubtful—wages that business executives were paid just a decade ago. I think the greatest danger in this legislation is to embark on a road that clearly defines its end objective as Government ownership and socialism, in my view. I think that danger arises by continually reemphasizing the title of the bill—full employment. Full employment was a campaign slogan that is now trying to be written into legislation for the purpose of benefiting special groups of people. It is class legislation. I would rather adopt Mr. Judd's suggestion, because the quicker we get away from "full employment," no matter what the plan, no matter how sound it may be, so long as it contains this title, "full employment," it will lead to illusion on the part of nonthinking men.

The CHAIRMAN. That the Government is going to assure employment?

Mr. KANE. Absolutely. You cannot get away from it.

The CHAIRMAN. Of course, the law to which you referred was passed by the Second French Republic in 1848. That law of itself would not make a totalitarian government out of France. This bill would not make a totalitarian government out of America. But to carry it to its ultimate end, to assure full employment to everybody, don't you think it would be a totalitarian measure?

Mr. KANE. That is why I want to reiterate my statement made earlier. It is a commitment, a solemn promise on the part of the highest legislative body, to undertake to do something which in the public mind would make this a socialistic or totalitarian form of government. The step must not be taken. It must be faced courageously by men who have the insight to see what it leads to, that it is a means to an end.

The CHAIRMAN. As I recall it, Adolf Hitler was elected in a free election in 1933.

Mr. KANE. Yes; but it was not quite as free as the kind of elections we have. There is another interpretation. What means free to one man means bondage to another.

The CHAIRMAN. Hitler gave the people full employment, at a terrible cost of human lives all over the world. Any person who disagreed with his philosophy was placed in a concentration camp.

Mr. KANE. Or shot.

The CHAIRMAN. I have heard people say that we are not going to permit people to starve in this country. Certainly we are not. But people starved under the Nazi German regime. Some of them were placed in concentration camps and they really starved to death. I saw some of them.

Mr. KANE. There is not enough moral fiber left in the group of

people that are going to be benefited by this to face the question of charity clearly and squarely. It is my firm conviction, and I am past the middle reaches of my life and have been very active, and I had to go to work very early in life and I have worked hard, and I get out of patience sometimes with these remarks about the workingman. My God, I am a workingman; I am working right now, and so are you. But they are not talking about us. It is my observation that any man who is the object of charity in the United States of America is 90 percent to blame for his own condition in life if he is not physically maimed or deformed.

Mr. RICH. We have got a lot of people in this country who created the desire in lots of people in the last few years to be dependent, and they are just drifting along, depending on somebody else to take care of them.

Mr. KANE. There is no question about that; and they will be a whole lot more so if you take this step. But, gentlemen, don't take it, please.

Mr. RICH. We have encouraged that until we have a great many people today that still want to continue on along that line. I think there is a desire on the part of too many people to socialize this country. They are infiltrated into all the departments of government; they are infiltrated into Congress. We have a lot of them in Congress now, and all they think about is doing what a lot of people back home want them to do—give them something for nothing.

Mr. KANE. The greatest thing that we can do for the people of this country who are in the abstract sense the objects of this philanthropy and paternalism is to rehabilitate the spirit in them to get out and work at anything at any wage.

The CHAIRMAN. Mr. Bender, do you have any questions?

Mr. BENDER. Frankly, if we had some way of overcoming human greed and selfishness it would be grand, wouldn't it?

Mr. KANE. Yes; it would. But human nature being what it is, Mr. Bender, you cannot cure it by legislation. You weaken that kind of an individual by largesse, by giving him things that you have taken away from the producer and he himself contributes nothing but the spending of it. When he loses out on the first dollar he is back for the second, but if you give him a dollar the second time he doesn't come back for two more; he comes back for five, and geometrical progression steps in and there is social deterioration in this country and the country has lost its moral fiber. We need the courage to face that kind of an individual and give him good advice, but do not help him along the road to continued indolence and folly.

Mr. BENDER. Except for the havoc wrought by the war, how would you compare our condition nationally with that of 50 years ago?

Mr. KANE. I have to answer a question by a funny story.

Mr. BENDER. Go ahead.

Mr. KANE. It reminds me of the darkey who was working at a saw-mill, and all of a sudden he let out a scream and the foreman came up and said, "What is the matter?" He had a finger cut off and the blood was gushing. The foreman said, "What happened?" The darkey said, "Boss, all I did was to put my hand over there, like that—my God, there is another one gone."

If he has to put his finger on the buzz saw he has got to have his finger eventually cut off, or he will have no hand or no arm. And if

we are going to continue to go along this road of deficit spending on the theory that you can spend yourself into prosperity, then God help America.

Mr. HOFFMAN. That is not the question he asked you. He asked you how our condition now compares with what it was 50 years ago.

Mr. KANE. I did not get specific on it. The answer is that we have constantly improved the standard of living in America by kind of a return to the good of the past. I do not say I want the good old days. Mark that distinction. I want the good of the old days, because it has been proven; it is 24-karat gold. It is not fools' gold. I want that kind of a spirit reinstituted in the people of America. I want them to be self-dependent; not State-dependent. If you men in Congress continue to support that kind of an individual you will do it at the cost of the moral fiber of all of the people, because you cannot rehabilitate the individual at the cost of the community. That is not liberty.

Mr. HOFFMAN. Unless I am mistaken, it is the Detroit Congressmen that are pushing this bill. You are talking about the men in Congress—

Mr. KANE. I hesitate to enter into the political phase of it.

Mr. HOFFMAN. You are talking about the men in Congress doing this, that, and the other.

Mr. KANE. I could make some comment on it, not in contradiction of the fact, but as an observation of how it comes about. Mr. Truman today said, "We will tolerate no threat to peace and prosperity."

Mr. Attlee made a statement on Friday in Britain before the House of Commons. He said, "We are going to form a new society based on peace, justice, and prosperity."

We ought to send him the first-grade reader out of the public schools of 150 years ago in America. Objectives are one thing. The methods of accomplishing those objectives are utterly different. For instance, our objective in about 3 minutes is to leave this room and arrive at the street level in this building. There are three ways to get down: You can walk down, or take the elevator, or jump out the window.

Mr. HOFFMAN. The other day the British Parliament extended the war powers for another 5 years. Did they not also provide that men are going to work at the jobs that are provided for them?

Mr. KANE. I think they did, Mr. Hoffman.

Mr. HOFFMAN. I wish you would get that and put it into the record.

The CHAIRMAN. Unfortunately for America, we do not have any nations that we can go to and borrow money to carry on a program of full employment.

Mr. BENDER. How many members are there in this board of commerce which you represent?

Mr. KANE. About 5,500, Mr. Bender. They consist of men in business, professions, and individuals, and they represent the major industrial organizations. I mean, these men are members of those industrial organizations clear down to the little dentist around the corner, the druggist, the grocery-store keeper, who are civic-minded and want to contribute annual dues to the membership so that it can keep informed and be abreast of the competition that will come from other communities on social subjects, and on business subjects.

Mr. BENDER. Since you have a membership of 5,500, how many members of the board of directors are there?

Mr. KANE. Twenty-six. I have the list here, Mr. Bender.

Mr. BENDER. I am just asking this in order to bring home to you something that needs to be brought home to a great many people in your community and other communities. How many of the 26 members are prominent in the affairs of the Republican or Democratic Party?

Mr. KANE. I could not answer that question. I am not intending to be evasive. I would say that many of them, knowing them personally—not all of them—think as I do, that business itself is undoubtedly responsible in some degree, whether large or small, for the situation that confronts us today, because they have failed to give interest to the mechanics of politics. I do not mean lobbyists or pressure groups or anything like that. I have offered that challenge on different occasions to these men, that they must become concerned about the type of men that we put into our public offices, or we cannot expect any improvement until we improve the caliber of those men.

Mr. BENDER. Is it a fair statement to say that most of the members of your board of directors abhor politics and take a rather stand-offish view of anybody in politics?

Mr. KANE. That is what led to my expression of opinion a few moments ago. We have been laggard in that and have been hesitant about it. I have talked to some men whose names are in the metropolitan press of the country whenever they express an opinion on industrial matters; and when you say anything about this phase of our life that you are talking about, the type of officeholders, the kind of people and the kind of thinking and the kind of legislation that comes out, they say, "Oh, hell! I don't want anything to do with politics."

The CHAIRMAN. A lot of them could not even name their own Congressman.

Mr. KANE. That is right.

Mr. BENDER. Don't you think there is a need for greater interest on the part of your people, for example, in political life and in being active politically? Don't you know that the only way you can do things in America is either through the Republican Party or the Democratic Party?

Mr. KANE. Oh, yes.

Mr. HOFFMAN. What about the CIO and the PAC?

Mr. BENDER. I know; but we have a two-party system. Frankly, the average businessman would consider it unfortunate to be found in either party.

Mr. KANE. That is a fact, today. But there is an awakening coming along the line, and I in my little, humble capacity represent that awakening. We are now taking an active part in expressing ourselves on legislation that we think threatens not our businesses but our country and the welfare of our people. We have a heritage of which we are proud, and we must see that it is more or less held intact or restored and we must fight every threat that comes against it from any side.

Mr. Truman said today, "We will tolerate no threat to our peace and prosperity." And I wanted to get up and cheer when he said that.

Mr. HOFFMAN. You realize that every time the National Association of Manufacturers or the United States Chamber of Commerce takes a stand in political matters their motives are questioned?

Mr. KANE. Yes; they are. Their motives are questioned. Their sincerity is not questioned.

Mr. BENDER. As individuals you gentlemen are not active politically?

Mr. KANE. That is right. We are convicted of that sin—because it is a sin that is now commencing to demand payment.

Mr. BENDER. Is it not a fact that the American people pretty generally have no appreciation of what this bill means?

Mr. KANE. That is right.

Mr. BENDER. And they have no conception of what is happening down here pretty generally. They are not concerned, and it is about time that they be concerned.

Mr. KANE. There is no question about that; and the greatest disservice that this committee or the Congress can do will be to allow the bill to be tagged "The full-employment bill," because that is the road of illusion, no matter what is done to pass legitimate acts to take care of the unfortunate situation which we must always confront in an expanding society; and the only kind of a society that can expand is a free society.

The CHAIRMAN. I do not believe this is an illusion. After reading some of the testimony of the proponents of this bill, I believe they know what it means.

Mr. KANE. It is unfortunate that they did not pay us the respect to be here this afternoon, because I had prepared some questions that I was going to ask myself for the person who knew all the answers.

The CHAIRMAN. I am talking about the witnesses who have appeared before the Senate committee. I read the statement of one of them a while ago. He knows in his own mind what this means, that Congress will have to provide full employment for everybody by Federal expenditure. I think they know what it means.

Mr. KANE. Well, then, that is ample warning to men who have the courage to step out now rather than to take themselves out after it gets under way.

The CHAIRMAN. Of course any person who opposes the trend is considered a domestic Fascist.

Mr. KANE. We must not forget this. We must not be unmindful of the fact that this war is not over. Only the military phase of it is passing. But we are fortunate people in this respect: We are the first people, I believe, in the history of people that are conscious that an era is passing and a new one is upon us and we have the opportunity to make adjustments so that the process of change from one era of our national life into another era of national life does not throw away all the things that we know were good in the past. I would say that it is almost expressed in these few words: This is a revolutionary method of accomplishing an objective, a lack of patience with the evolutionary method that has always helped us in the past to improve our standard of living. When men high in public office get up and say, "We must increase our standard of living 50 percent," what does it mean? How can you improve the standard of living 50 percent? Does that mean that I get three books instead of two? Does it mean that I get a pair and a half of shoes instead of one pair? Does it mean that I get an extra overcoat instead of one?

The improvement of the standard of living is by raising up the

level over all, and it is likened to a great pie. There will always be an upper crust; there will always be a lower crust. The meat is in the center. When the lower crust saps all the meat and all the fruit out of the center, and all the richness that it has passes out of the crust, we will have nothing left but the bottom of the pan—and we are getting awfully close to that.

Mr. HOFFMAN. Do you know of any pie that was ever made that way?

Mr. KANE. Yes; the social pie. It is the pie of legislation that they are making right now.

Mr. HOFFMAN. Mr. Reuther puts out a pamphlet, a blue-covered book, of 32 pages, which is entitled "How to Raise Wages Without Increasing Prices." He refers to William H. Davis on page 1. He says:

Mr. Davis asked how it is possible to increase wages without causing price rises?

Over on page 3 he says:

The answer to Mr. Davis is that he can tell industry to pay higher wages out of the higher profits it is making. It will not have to charge higher prices.

I have in mind that improvements in methods of production—

Mr. KANE. Technological improvements.

Mr. HOFFMAN. I just use little words.

Mr. KANE. I did not mean to be offensive.

Mr. HOFFMAN. I have no objection. I have no objection to anybody using all they want. I just use little ones, because I can understand them. Now, getting back: I realize that when methods of production are improved you get more for your hours and more for your dollar. But I wish that some of your organizations and some of the corporations referred to would tell us how much of truth there is in that statement of Mr. Reuther. I wish you would submit something of that kind to us. He refers to General Motors and Chrysler. I would like to have you tell us about that.

Mr. KANE. I shall undertake to provide you with that information.

Mr. HOFFMAN. In one of the daily papers there was an advertisement by the Union Oil Co. of California. It was entitled "Who Gets the Money Union Oil Makes?" There is a break-down. I would like, Mr. Chairman, to insert that at this point in the record.

The CHAIRMAN. Without objection it will be inserted.

(The advertisement referred to and submitted by Mr. Hoffman is as follows:)

UNION OIL CO. OF CALIFORNIA

WHO GETS THE MONEY UNION OIL MAKES?

1. Arithmetic sometimes makes more sense than headlines. The following figures are a matter of public record—checked and verified by Uncle Sam's tax men. If you have 2 minutes to spare we think you'll find them rather interesting.

2. Last year Union Oil Co. took in 127½ million dollars in round figures. This was from all sales of its products and services. Ninety-one million dollars of this was promptly paid out for things—rent, materials, transportation, equipment, depreciation, interest, and taxes.

3. This left 36½ million dollars to be divided among people—the employees and the owners. Of this sum 27½ million dollars went to the employees in wages, salaries, and employee benefits. Four and three-quarter million went to the owners in dividends. Four and one-quarter million was left in the business.

4. In other words the employees got 75 percent of what money there was to distribute, the owners 13 percent and the business 12 percent. This doesn't mean

that the owners got 13 percent on their investment. They got 13 percent of the dollars left over after the company's expenses were met.

5. On the capital invested in the company the owners received just 3.2 percent in dividends. For that 3.2 percent they have financed all the oil wells, service stations, equipment, etc., with which the employees work—\$43,525 worth of tools for each employee.

6. It also happens that the 4¼ million was divided among 32,000 Union Oil stockholders, whereas the 27½ million was divided among less than 9,000 employees. Consequently, the employees got an average of \$3,108 apiece—\$259 per month.

UNION OIL CO. OF CALIFORNIA.

Mr. HOFFMAN. Here is another little booklet. This is 23 pages long. It is entitled "Five Years of War Profits, 1940 to 1944, Compared With Five Years of Peacetime Profits, 1935 to 1939." It is put out by United Steel Workers of America, 1900 Commonwealth Building, Pittsburgh, Pa. In the booklet there are tables claiming to show excessive war profits. For instance, on page 16 it shows profits, dividends, and depreciation of certain named companies, the United States Steel Corporation heading the list of 12 or 15, ending with the Rustless Iron & Steel Corporation.

If this bill ever gets out on the floor there will be a great deal of discussion about the charges of the proponents of the bill as to these figures. The average Congressman does not know anything about the facts. We hear that corporations have made large profits, and the men who are interested in the corporations say they have not, or if they have, they have had to spend it or the Government takes away from them in taxes. We would like to know the facts. At least I would.

Mr. KANE. Mr. Hoffman and Mr. Manasco, for the committee's purposes we will undertake to give you some kind of an opinion on that question, because I think you are very, very sound in assuming that these things are eventually going to be brought out as contradictory of some of the statements that might otherwise be made generally. The only way you can act wisely—and men who are properly informed can act wisely, which does not impugn the intentions of men who do not act wisely; their motives may be just as sincere—is to have the full facts, and we will try to get them for you.

Mr. HOFFMAN. In that connection, if you could without too much trouble give us the number of stockholders who are interested in these various corporations, we would like to have that information, because when they say a corporation made that much money, there are many of us who are inclined to look at that corporation as some swollen individual who is getting an excess profit at the expense of the poor man who works.

Mr. KANE. That is right.

Mr. HOFFMAN. I noticed one advertisement that gave the number of stockholders and the number of employees and the proportion of the money that was taken in that went to each.

The CHAIRMAN. I think the daily stock quotations in the Washington Star show the stock dividends paid by all the companies listed. I think it would be fair to say that those dividends rarely achieved 4 percent in the war years.

Mr. KANE. That is right. Chrysler Corp. had a strike pre-war. During the strike Mr. K. T. Keller, president of that corpora-

tion, was denied access to the premises by the picket line. The strike was precipitated by a statement by Reuther following an announcement of \$26,000,000, in round figures, of the Chrysler Corp. published in the papers the evening before. He said it was too much money for that corporation. The investment was over \$450,000,000.

Mr. HOFFMAN. I heard over the radio one Sunday night not long ago a discussion between Mr. Reuther and another gentlemen, in which Mr. Reuther called attention to the fact that Mr. Wilson draws a very large salary. I wish you would tell us the amount that Mr. Wilson and some of these other gentlemen who are charged with receiving such exorbitant salaries, actually receive. Give us Mr. Wilson's take-home pay.

Mr. KANE. If he will supply that information, we will supply it to you. He would probably be very glad to supply that.

Mr. HOFFMAN. It is just a matter of figures.

Mr. KANE. Yes; but it is a matter of enlightenment to somebody that is under illusions. There is a great tendency on the part of the leaders of labor to stress these figures such as Mr. Hoffman has been talking about. They place emphasis, Mr. Chairman, on what appears to be exorbitant profit, between the cost of producing an article and the cost of selling that article. They overlook the fact that this is a Nation on wheels, with beautiful highways, and the greatest number of homes owned, and children with shoes on their feet, with carpet on the floor, a piano in the home, and they take music lessons, and more young people go to high school, because of one fact—that spread between the actual cost of producing the article and the selling price that is distributed over a large area in what is called marketing operations.

The CHAIRMAN. Most of us lose sight of the fact, when we look at some large salary of \$200,000 for a man like Mr. Wilson or Mr. Sloan of General Motors, or young Henry Ford, that those men are paid for their ability. They might be worth that amount to the company. It might cause the company to go broke if I were president of it at \$1,000 a year.

Mr. KANE. The minute the organization fails to operate at a profit, it becomes insolvent and it closes up and the jobs are lost. When you examine that a little bit further, the point is that the earnings of these corporations are considerably at variance with the earnings of the worker himself. The only thing that the worker has is his labor. That is his investment in the undertaking to produce the product. The employer has to supply the investment and the equipment so that the worker himself can use his investment of labor; and he is biting the hand that feeds him and does not have foresight enough to see it. Inevitably it will be like a snake having its tail in its mouth. If he gets more than the employer can afford to pay him, just because he is getting a full meal by eating his own tail the first thing he knows there will not be any snake.

The CHAIRMAN. If you had a \$10,000 man at the head of the company the workers might be 10 cents an hour men.

Mr. KANE. Yes. That is brought out in different ways. We often hear talk of what we call advertising as an economic waste. I think you gentlemen of the Congress are fully aware of the fact that industry underwrote all of the undertakings to sell all of the different campaigns for war bonds or Liberty bonds and now the peace loan;

and the amount that was put behind them could not have been bought by the Government at a multiple of millions of dollars. In the meantime, that has been put together, as you might say; it is a rider on entertainment and education, and if they once lose that they will set up the biggest howl you ever heard in your life; and the cost of that behind the article will even go out on seven decimal points per unit of products sold by the undertaking.

The CHAIRMAN. When a corporation pays out \$300,000 in advertising its automobile, for instance, we do not tell the people at the same time that the newspapers and magazines and others pay income taxes on that money.

Mr. KANE. That is right. That is what I mean by the difference between the actual production cost of any article and the selling price, whether it is a refrigerator or an automobile or a hot-water bottle. The difference between the actual cost and the selling price is spread in the market operation, and in that campaign known as advertising and sales effort the salesmen buy automobiles and burn up tires and gasoline and patronize restaurants and hotels, and they pay for rent and light and gas and taxes and build homes and raise families out of that spread.

The CHAIRMAN. We have a lot of people in this country who advocate the removal of so-called middlemen. They say it will make things cheaper for the consumer. But is it not true that those traveling men make it possible for products in a remote part of the country to find their way into trade channels?

Mr. KANE. That is right.

The CHAIRMAN. And if we had the Federal Government supervising distribution, if we had a meat shortage or a sugar shortage or a coffee shortage—

Mr. KANE. Only certain people would be benefited, because the operation would create a specially favored class.

The CHAIRMAN. I certainly have enjoyed your statement and I thank you very much.

Mr. KANE. Thank you very kindly for the privilege and the very obvious patience that you have shown and the courtesy of yourself and the members who were in attendance. It is unfortunate that there were not more members in attendance.

The CHAIRMAN. The committee will stand adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 5:10 p. m., the committee adjourned until, Wednesday, October 24, 1945, at 10 a. m.)

FULL EMPLOYMENT ACT OF 1945

WEDNESDAY, OCTOBER 24, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS,
Washington, D. C.

The committee met at 10 a. m., Hon. Carter Manasco (chairman) presiding.

The CHAIRMAN. The committee will come to order. Our first witness this morning is Mr. Hudson G. Hastings, professor of economics, Yale University. You have a prepared statement, Dr. Hastings?

STATEMENT OF HUDSON G. HASTINGS, PROFESSOR OF ECONOMICS, YALE UNIVERSITY

Mr. HASTINGS. I do not have a prepared statement. I simply have some notes, Congressman.

The CHAIRMAN. You may proceed to make whatever statement you wish.

Mr. HASTINGS. Gentlemen, the first thing I want to point out the reasons why this bill, either one of these two bills, is advocated, and to discuss them very briefly with you. I am sorry that I shall have to make some rather dogmatic statements as an economist, without going into complete economic analyses of it, because time does not permit that. I shall be glad to answer any questions, though, when I get through with my statement.

It is advocated by many who say that the increasing technological efficiency of business and industry is bound to create a certain amount of permanent unemployment, and therefore unless we have the Government coming along to provide jobs for those that are permanently thrown out of work by technological improvements, they will remain permanently unemployed. That is the proposition, gentlemen, on which there is no difference of opinion among economists. The history of our economic life, industrial life, in this country proves that that is not true. It is true that locally and for certain individuals, for a certain period of time, technological improvements will unquestionably, and do, throw a man out of work, but as far as creating permanent unemployment is concerned, that has never been true and will never be true.

Secondly, this bill is proposed by those who say that the United States has reached a stage of economic maturity, that there is no longer an adequate outlet for the savings of the people that are put into savings banks and individual savings, because the country's capital equipment is built up and we are now a mature economic nation, and therefore, unless there is an outlet for these savings by buying Government

bonds, the proceeds of which are to be used for public works, we are again going to have a permanent body of unemployed. That is a proposition on which there is not unanimous agreement among economists.

It is theoretically possible that we may some day reach that stage where there is not within the country, nor in the field of foreign investments, an adequate outlet for the savings of the people, but up to the present time all the most careful studies that have been made of trends of investments would indicate that that proposition is not true, and that we are a long, long way from having a lack of opportunity for investment of savings in various kinds of capital equipment, homes, and office buildings and factories and what not.

I am perfectly sure that I am safe in saying overwhelming majority of the economists agree that there is no necessity in order to provide for an adequate outlet for savings of the people, to have a vast and continuing program of public works.

The third group that is supporting these measures of those who are, and it was primarily intended, apparently, by the sponsors, as a means of preventing forced unemployment due to the business cycle; that opportunity should be given to all people, able and willing and anxious to work, to get a job, and because of our business cycles vast numbers of people find themselves unemployed for months and sometimes for years at a time, unfortunately.

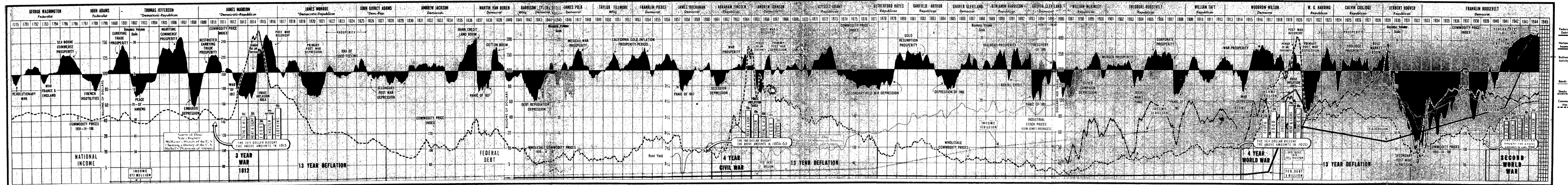
On the first proposition with respect to the right of the worker to a job, a person willing and anxious to work, if we go through and establish that as a national policy, that at any time the worker who is willing and anxious to work and cannot find private employment immediately, should be given immediately the opportunity to work on some kind of public works at virtually full normal wages, then this country is unquestionably headed for a complete totalitarian economic economy with a dictator running it.

That is not a matter of opinion. That is a matter of history. From way back in ancient Chinese history up to the present time this idea that the government should be responsible at all times for providing normal employment for every citizen has come out. It has been tried again and again and always ends up in the same result, namely, that the government gradually takes over more and more of the economic life of the country, and finally becomes a complete totalitarian economic state with a dictator at the head of it.

The second reason why it seems to me clear that we should not embark upon this program as a national policy—well, excuse me for a minute. The second group of people who are advocating this idea say that if we do have such a possible employment of all who are thrown out of work by the business cycle, their employment at virtually full wages will do two things: It will stop the downward trend of business by keeping up the buying power of those who would otherwise be unemployed, and that it will go beyond that and restore us to business activity.

Now, we must ask, I think, in analyzing this from the economic standpoint, is that true? Will it stop the downward trend of business as business tends to go into a business depression? And secondly, will it restore buying power to a point where those people will shortly find themselves having opportunity for reemployment in private industry?

BUSINESS BOOMS & DEPRESSIONS



* This was the national organization composed by Washington and Adams and is considered the parent of the present day Democratic party. Source: "The Presidents" by Auburn S. Cunningham (A. C. McBurn & Co.)

The present version of the bill contemplates payment for the public-works program by taxation. It says "over a reasonable period of time." The normal period of the business cycle—and you gentlemen have all seen similar charts of the business cycles—would indicate the normal length of the business cycle in this country to be somewhere around 39 months, and therefore the public works are to be paid for within the time of a recurrence of another depression. We must levy taxes to pay for any public works within a period of 2 years, and in fact, the public-taxation problem could not immediately start with the beginning of the program. It would mean that for all practical purposes, I think you would have to cover your works currently by current taxation.

The CHAIRMAN. Doctor, will you put that chart in the record at this point?

Mr. HASTINGS. I will be glad to.

The CHAIRMAN. We would like to have it.

(The chart referred to appears facing page 670.)

Mr. HASTINGS. Now, if you tax some of the people who are employed and have incomes, in order to pay the wages of those who are employed on Government work, then obviously you have added nothing to the buying power of the Nation at all. If I am employed and part of my income is taken away from me in order to pay for this inaugurated program of public works, then it is quite obvious I can buy just that much less. I hand that money to somebody else. It relieves his distress, but it does not increase buying power by one dollar. It simply transfers buying power from one person to another, and therefore adds nothing to the total purchasing power of the people, and therefore adds nothing to stemming the tide of a downward trend of business. It merely alleviates the distress of certain people. That may be a wise thing to do, but certainly it cannot be advanced as a means of restoring purchasing power. It merely transfers it from one person to another.

Mr. CHURCH. It is taking the rights away from certain people, isn't it, from those that earn?

Mr. HASTINGS. Yes; and giving the same amount of money to other people that are unemployed.

Mr. CHURCH. Instead of giving rights to a certain group it is taking rights away from the other group.

Mr. HASTINGS. That is right. It is taking rights away from them. As I say, that may be justified from a social standpoint, but from an economic standpoint the idea that these public works will keep up buying power and therefore stop the downward trend of business is not true, because, obviously, it is a matter of simple arithmetic, if you take away \$5,000,000,000 from the people that are employed and hand that money to people that otherwise would be unemployed, you have added nothing to the buying power of the Nation as a whole.

Mr. CHURCH. Not only have you taken the man's rights away, but you have taken his property away.

Mr. HASTINGS. That is right. Now, then, there are other ways, other possible ways of paying for it. You might pay for it by the issuance of Government bonds which would be sold to investors, and some contemplate that. That is not in the Senate version of the bill, but that is a possible way of doing it. That also, in my judg-

ment, would add nothing to the buying power of the Nation as a whole, or tend to stop the downward trend of business. It would simply mean then that you would divert from the investment market that number of dollars to pay for public works instead of having that money used for private capital works, and therefore it would add nothing at all. It would simply mean that then a certain proportion of the current savings of the people would be spent to produce public-capital work instead of private-capital work, and therefore would not be effective at all in that respect.

The third method, which is warmly advocated by Lord Keynes of England and Professor Hampton, of Harvard, is to pay for it as we did during the middle of the 1930's, by selling Government securities to the banks—the commercial banks and Federal Reserve banks. In other words, to pay for it by creating new money, bank-credit money, with the hand-to-hand money to go along with it.

The CHAIRMAN. Wouldn't it be cheaper to just print money as you go along? It would greatly reduce a lot of administrative cost to just print the money.

Mr. HASTINGS. Yes; but it is very easy, of course, for the Government, as it has been doing during the war, to pay for several billion dollars per annum of the cost of the war by creating new money, simply borrow from the Federal Reserve and the commercial banks, and they just create that much check-book money, and that goes into circulation. Lord Keynes and Dr. Hanson say that that is the way to give a real fillip to business, put more money into circulation, and don't tax people, don't sell bonds, but create new money, pump that into circulation, and that new money going into circulation will stop the downward trend and restore business on the upper trend.

Mr. COCHRAN. Without any collateral behind it?

Mr. HASTINGS. Oh, yes; the Government needs to post no collateral when it sells bonds—just simply sell the bonds.

Mr. COCHRAN. But when you say they put money into circulation by securing it through the Federal Reserve banks and others, there was certainly some collateral behind that money. It was not printing-press money by any means.

Mr. HASTINGS. No; it was not. If you issued a Federal Reserve note you used to have to put 40 percent gold behind it; now it is 25 percent gold.

Mr. COCHRAN. The chairman asked you if it would not be cheaper to just print the money and let it go out into circulation.

Mr. HASTINGS. Yes.

Mr. COCHRAN. But you are not in favor of that, are you?

Mr. HASTINGS. That is what we did, for instance, during the Civil War. We issued greenbacks.

Mr. COCHRAN. We are not in the Civil War now. You are not in favor of printing money without anything behind it, are you?

Mr. HASTINGS. No; but it is equally dangerous with our enormous present gold reserve, even if you have gold back of it. The important thing is that you are creating new money that goes into circulation. That is the idea of it.

Mr. RICH. What is there to prohibit the Government, if they had to put up 40-percent gold at one time, and then during this last administration they made it 25 percent what is to prohibit them from making it 5 percent?

Mr. HASTINGS. Nothing whatsoever.

Mr. RICH. And then they can get it down to 1 percent?

Mr. HASTINGS. That is right.

Mr. RICH. And so you could go on and print, and if you are going to reduce the value of the gold, or the silver either, like we have done in this administration, you are not liable to get anything but inquests.

Mr. HASTINGS. No; it doesn't matter one bit, gentlemen, whether you have gold, partial gold, or no gold back of your money; the important thing is the volume of that money.

The CHAIRMAN. Isn't it true now that you cannot take a \$10 bill to the Treasury and get \$10 worth of gold?

Mr. HASTINGS. That is true.

The CHAIRMAN. As a matter of fact, the gold is frozen by the Government.

Mr. HASTINGS. Our silver certificates indicate on the face of them that there is deposited with the Treasurer of the United States one silver dollar, payable to the bearer on demand.

The CHAIRMAN. But there is no way to get it?

Mr. HASTINGS. There is no way to get it.

The CHAIRMAN. That is the reason I say, if we can issue these bonds and increase our money, why not just print it and save administrative costs?

Mr. HASTINGS. That is right.

Mr. COCHRAN. You mean to say, Doctor, that if you went up to the Treasury and gave the Treasury five silver certificates and asked for five silver dollars, you couldn't get it?

Mr. HASTINGS. The Treasury can refuse to give it to you; yes.

Mr. COCHRAN. But they don't refuse it.

Mr. HASTINGS. They don't now, no; but they can.

The CHAIRMAN. You can't get any gold coin.

Mr. HASTINGS. You can't get gold; no.

The CHAIRMAN. Without being put in the penitentiary.

Mr. HASTINGS. I think, though, if you will excuse me, we had better not get off the subject of money.

Mr. RICH. May I ask you this question in reference to silver? Silver ordinarily is worth about 35 cents an ounce.

Mr. HASTINGS. Yes.

Mr. RICH. But we are paying a subsidy of 35 cents an ounce for domestic silver, paying 71 cents an ounce. You could buy foreign silver last year for 35 cents an ounce, but now all foreign silver is boosted up in this country to 71 cents an ounce, so they have just doubled the price of silver in the last year.

Mr. HASTINGS. I happen to be a member of the Economists National Committee on Monetary Policy, and I would like to discuss our silver program with you. I think it is very bad, but I think we had better stick to our subject.

Mr. RICH. You are liable to get into a rumpus here on that.

Mr. HASTINGS. If you will excuse me, I have got several things I would like to say about this bill. I would be glad to testify some time on our silver program. If you put new money into circulation, I don't care whether it is backed with gold or silver or what it is backed with, the idea there is—and it looks very inviting, gentlemen—that you put money into circulation, you don't take away either taxes

or savings, but you pay for this program of public works by new money, and it would therefore seem at first blush, at least, that that would help very much in restoring business activity, but it does not do so. It does not do so for one reason, that the entire business world has shown by the experience of the 1930's that it is terribly frightened by that process of paying part of the Government expenses by creating new money, regardless of whether that new money has got any gold or silver back of it.

You will recall, probably all of you, the statement that was so frequently made during the middle of the 1930's that this was a shot-in-the-arm proposition, that it was a temporary and artificial stimulus to try and get business back on its feet, and that when the Government withdrew from that program, back business would slump, and the only way to restore the confidence of the people and the business world was to maintain the Federal Budget on a balanced basis and not try this proposition of forcing new money into circulation.

There is another draw-back to this scheme, and that is even if it were true that you could get businessmen not to be frightened by this creation of new money to pay for public works you have got to face the fact that some day or other that new money has got to be paid off. You can't go on indefinitely creating new money, otherwise you are on a program of a constantly higher and higher inflation price level, and some day this new money that you have created by selling Government securities to the bank has got to be paid off, and when it is paid off and retired from circulation then you are going to put just as much of a damper on business as you have given it a stimulus when you issued it.

But that is one thing that the advocates of this pump-priming method of payment for Government works never seem to face up to. They forget the fact that some day or other that bank credit money that has been created has got to be paid off, and when it is paid off it is obvious that it will act as just as much of a damper on business as the original issue of the money provided a stimulus, and over the sweep of years you have added nothing to the stimulation of business whatsoever. You may temporarily stimulate it in a period of business depression by issuing new money, but, by the same token, when you retire that money you tend to bring on a new depression when you take that money out of circulation, as you must; you can't keep adding to it indefinitely, in the judgment of a great many of us who have spent a great deal of time studying the business cycle.

I started on an intensive study of the business cycle for the Foundation of Economic Research in 1920 and spent about 3 years in exclusive study of the problem of the business cycle, and a study of the economies of the business cycle would indicate, both in theory and in practice, that the thing that is needed most when business slumps off is a readjustment, a prompt readjustment of prices of goods and prices of labor, in order to get prices down to a point where the volume of goods sold will increase.

When you start down in the period of business depression there is a certain amount of money withdrawn from circulation entirely, as business and industrial concerns pay up their bank loans. That means you cancel that much check-book money that is in circulation. What we call the velocity of circulation also begins to slow up. People

become frightened about their continuation of income and they pile up larger cash reserves against a further reduction in their income, and that slows up what we call the velocity of circulation of money. The two of them together means that as you slide into a period of depression there are less dollars being spent in the market place, a less total number of dollars in any one month.

It is obvious that if you hang onto the prosperity price level with a smaller number of dollars being spent, a smaller number of units of goods and services are going to be bought. That is inevitable, and therefore if you hang onto prosperity prices, as the volume of money, as the velocity of circulation begins to decline, it is going to mean a corresponding drop in the total amount of goods and services sold, and therefore employment. But if, on the other hand, you have a proper readjustment of prices downward then you are going to offset this decline in the volume of money and the velocity of circulation, and therefore of business activity.

Mr. RICH. Let me ask you a question right there. Supposing we had a gradual inflation of prices, and prices were high and a business concern in operation had its prices set on cost; if a business concern was facing that period of deflation in prices, wouldn't the business executive be wise in cutting his prices at once and cleaning off his shelves, so that he would be ready to start and keep his employees busy and his plant in operation whenever the time came that prices started to move again?

Mr. HASTINGS. Yes.

Mr. RICH. He had better take his cut quick.

Mr. HASTING. That's right, and most people do.

Mr. RICH. And keep on operating in order that he would have all of his merchandise off of his shelves, and his employees would be better off, he would be better off to take his loss in a hurry.

Mr. HASTINGS. That is right. But that will only provide—that will get rid of his prosperity surplus inventories, but if you continue to have the same price on new goods that you had when business was prosperous, you are going to get the drops sooner or later. You are bound to get them.

The most striking example, I think, of readjustment of prices, including wages, as a means of recovering from the business cycle is illustrated by the depression of 1921. You will recall that during 1919 and 1920, up to the spring of 1920, we had a perfectly terrific boom in commodity prices. Wages went up and prices followed up, naturally. They have got to follow up, naturally. The margin of profit is so small that if you have any material increase in wages it means that for practically all concerns they have got to raise prices to cover those increased wages, and we got into one of these perfectly terrific postwar commodity booms, and the prices went up from about 109 to 247.

Then we had the collapse. The speculative boom in commodities collapsed. Enormous stocks of goods were held on speculation at that time because of that boom in prices. I happen to know personally a shoe man who at the height of that boom owned \$2,000,000 worth of shoes. I know a coffee merchant in Boston who owned half a million dollars worth of sugar. When the bubble finally broke, as bubbles must break, down he went. Then what happened? Except for a few

lines of business in which the wages were rigidly controlled by powerful national union, like the railroads and the miners and what not, we had a tremendous drop in prices, including wages, and the facts are that from the high point of 1920 to the low point of 1929, the Bureau of Labor's cost-of-living index dropped by 18.7 percent, a drop of nearly 20 percent in the average price of commodities. That was only possible by a drop in the wage rates in our manufacturing industries of 19.9 percent. You see, the people that were employed did lose a little bit in real wages. Their wage rates on the average went down by 19.9 percent, but their cost of living went down by 18.7 percent, so that they only lost a very little in real wages that they were getting, but that drop of nearly 20 percent in wages made possible and resulted, because of competitive conditions, and an almost equal drop in prices, and because of that drop of 20 percent in prices, very quickly then we began to sell more goods.

There are a very large number of people in this country who, over the course of a single business cycle, retain practically fixed incomes. All Government employees of all kinds, Federal, State, and local employees, whose wages are fixed, all the teachers and policemen and firemen, all kinds of Government employees, court officials and what not, whose salaries in dollars, or whose income in dollars remains, all of those have fixed incomes. There are also a very large number of people living off the interest on bonds, and their dollar income remains constant. Now, if you drop prices drastically in times of business depression, the buying power of those people whose income is fixed, greatly increases, and that is the thing that was in all previous depressions responsible for a prompt revival from that period of depression. The buying power of those whose incomes were virtually fixed increased so rapidly that they could buy more shoes, more clothes, more radios, more other things, because prices went down and finally that started to increase employment. That has been the universal history of all previous business cycles.

When we went into the great depression of the 1930's, we unfortunately took the other track. We said, "We must not allow buying power to be reduced, therefore we must not cut wages." And because we did not cut wages, we did not cut prices. Well, the number of dollars being spent in the market place was going down drastically, but we hung onto our old price level, and therefore we went just that much farther down, and it was not until we got well along into that depression that any adjustment, any appreciable adjustment, was made in prices, except in agriculture.

So I think it is perfectly clear in the minds, and I am perfectly sure that I am safe in saying that the overwhelming majority of the economists say that the whole lesson of all previous business depressions shows that one of the quickest and surest ways of getting yourself out of a depression is to readjust prices.

You can make some temporary adjustment of prices by certain concerns being willing to take a heavy loss on their inventories, and that will help to dispose of some of those surplus inventories. It will not, however, restore the buying power of the public until you lower prices for newly produced goods.

Mr. RICH. May I ask a question right there in reference to the Government employees and those people who have their wages and

prices fixed? What effect does that have on the people who do not have a fixed wage? In other words, what proportionate part of the people of this country have a high fixed wage which is maintained during times of depression?

Mr. HASTINGS. I don't know. It is a fairly large proportion. I have never seen any attempt made to estimate it.

Mr. RICH. Have you anything to recommend in times of great depression? If there was a lay-off and people became unemployed, can you recommend anything that might be suggested as to what change might be made in the fixed-income group in order that it would alleviate the situation with the nonincome fixed group?

Mr. HASTINGS. As I get the question, you cannot interfere very much with fixed income groups. They are going to have that income anyway. But if you lower prices, those people can then buy more goods and more services than they could before.

Mr. RICH. Certainly the ones in the fixed-income group can buy more, but the ones without the income cannot buy any.

Mr. HASTINGS. No; I was just saying a minute ago, when we reduce prices by the cost of living—that is, not wholesale prices but the cost of living index of the Bureau of Labor Statistics—went down from 1920 to 1921 by 18.7 percent. Now, the people that were employed in manufacturing industries, their wages, as reported by the National Industrial Conference Board, went down, on the average, by 19.9 percent. They had, in other words, in their pay envelopes, about 20 percent less dollars than they had when business was good, but their cost of living went down by almost as much, went down 18.7, and therefore, although there was a slight reduction in their buying power, the buying power of those on fixed incomes was greatly increased.

Mr. RICH. Well, you have a maintained wage level for the fixed income group, and they do not suffer during the time of depression, but the people with nonfixed incomes, they suffer because of the fact that their wages are cut, and maybe many of them do not have any jobs; on the other hand, the business people have to suffer because they have got an inventory, and everything that they have drops off, and they have to write it off all at one time. When the time comes, December 31, they have to take their inventory, and the only way they can take the inventory is to take it at cost or market, and naturally they take the market, therefore they write their goods off and take their loss from their income tax. Now, it seems to me there should be some means to adjust the differences between the nonfixed and the fixed-income group at a time like that, so that everybody will be treated alike. What is your opinion of that?

Mr. HASTINGS. Well, the fixed-income group are people who do not get in times of prosperity a wage or a salary that is comparable with the other people.

Mr. RICH. Not so in government. Our Government employees are getting more money than the average person back home.

Mr. HASTINGS. Some Government employees certainly are getting more than they could get in private industry, but, in general, public employees are getting less in times of prosperity in terms of real buying power than the comparable jobs would get them in business and industry, but they are willing to take those jobs at lower salaries

because when business is bad and prices are down, they get back a little bit of that. If they were getting an income equal to what they could get in business and industry when things were prosperous, then certainly there would be sound reason then for cutting the wages of all public employees and cutting them heavily, just the same way as you cut other prices.

Mr. RICH. I disagree with you there. I think Government employees are receiving more than the average citizen back home, unless it has been in a war industry during the wartime.

Mr. HASTINGS. If that is true, then, of course, public employees over the course of time come out better than other employees in business and industry.

Mr. RICH. They are coming out better, too.

Mr. WHITTINGTON. I don't want to interfere with your presentation, but you know we have under consideration the House bill, H. R. 2202, and Senate bill S. 380, and we know generally about booms and depressions and the causes of them, and the relation of wages and prices. I am wondering if you have any recommendations of a substitute for either of these two bills that would enable Congress to plan better for the alleviation of the unemployment following these depressions?

Mr. HASTINGS. Yes; I have. I am coming to that in just a minute, because I do think, gentlemen, that we do have a responsibility today much more than we have had to try and get our economic machine functioning.

Mr. WHITTINGTON. I have no desire to ask any further questions if you are coming to it.

Mr. HASTINGS. I am not in favor of simply forgetting this problem and saying to these people, "It is just too bad you are unemployed. We can't do anything about it." Now, this lag after a drop in prices in a period of business depression means that you have particularly severe unemployment in your capital-goods industries, that is, those necessary industries which are providing construction materials for building and also equipment, machinery, and what not, and one of the most helpful ways and one of the clear characteristics of all previous situations was that when you did get a drop in prices, when business was depressed, you could drop prices because wages were dropped. There was nothing to stop the employer from dropping his wage levels. You got the cost of construction down, and then there was a tremendous incentive for business concerns to take advantage of the low cost of machinery and low cost of building and what not, and they did very quickly then swing into action with a program of private construction.

Mr. WHITTINGTON. What period have you in mind when that was done?

Mr. HASTINGS. After every period of depression.

Mr. WHITTINGTON. Name the last one.

Mr. HASTINGS. Except the last one.

Mr. WHITTINGTON. Name the last period you have in mind.

Mr. HASTINGS. The 1921 depression, for instance. If you have studied the amount of construction contracts you find that we had a very substantial reduction in the cost of construction and the cost of equipment, that immediately began to expand and homes began to

be built. I know a number of people, for instance, in this last depression in 1930, in New Haven, that sat around with architect plans and specifications all drawn, ready to build some homes, but the cost of construction never came down and those homes were never built. The people could not afford to build them at the prices.

Mr. WHITTINGTON. In other words, do I understand that in your judgment the country would have been better off if we had pursued the policy in 1930 that we pursued in 1920?

Mr. HASTINGS. That is right.

Mr. WHITTINGTON. That would have been better than spending a lot of money in pump priming?

Mr. HASTINGS. Yes; very much better. That is, as I say, one of the clearest things to be done, to help us out of a period of depression, get your capital costs down, and then individuals, many more of them will build homes, new industries will be established to take advantage of low-cost machinery, equipment, buildings, office buildings, apartment houses, hotels, all kinds of buildings then will be put up, which will immediately provide employment in self-liquidating things, and it won't cost the taxpayer a thing to have those buildings built, but when you put up public works the taxpayer has got to foot the bill.

Mr. COCHRAN. Do you know any time, Doctor, when the Government did not engage in public works?

Mr. HASTINGS. No; you have a certain amount of public works going on all the time. And there is another thing that used to help in the old business depressions. Not only was private capital going in to take advantage of the low costs, but the cities and towns and States and the Federal Government, in order to take advantage of the lower prices would begin to build, and we immediately had a resumption and great expansion of capital construction. But if you hang on to prices and don't allow them to drop at all, then you are not going to get that development. People simply are not going to build.

Mr. COCHRAN. This bill does not deal with people solely. It deals with policy making, laying out the plans, advanced planning to meet a situation that might develop. Now, if you are not for that, what are you for to meet that situation?

Mr. HASTINGS. I will come to that in just a minute.

Mr. COCHRAN. That is what we want to hear. Doctor. We want to hear about that. We want to hear about this bill, whether or not this bill is sound, and, if it is not sound, what you have got to offer to take its place.

Mr. HASTINGS. I am just now indicating why I think it is unsound. It will not accomplish the purpose that you want, of restoring private employment. It tends to perpetuate unemployment. If you have people who can immediately turn to a Government job when they are laid off of private jobs, there is going to be no tendency at all to readjust prices. There is no pressure on the labor market. Everybody is employed. If you don't cut wages, you can't cut prices to amount to anything. If you don't cut prices you won't sell more goods, either consumer goods or capital goods, and that is the thing we want to do.

I talked some years ago with Dr. Hetherington, a member of the British Royal Employment Commission, about the experience of England during the 1920's, when they never had less than 2 million

employed, and they were running from 2 to 5 million people always employed.

Mr. WHITTINGTON. You say "employed"? You mean "unemployed"?

Mr. HASTINGS. Yes, unemployed; 2 to 5 million people always unemployed. I asked him what was the reason for that, and he said:

The reason is because we are paying too much for unemployment. A man with four children can get more money—the average British worker can get more money if he has got four children by being on a dole than he can by working, and those that are merely married and have no children can get 70 percent of their normal wages; and as a result of that, the workers are perfectly willing to jog along on unemployment, and tens of thousands of them paired up with each other and one man would work for 6 months, then he would quit and the other fellow would take his job and he would get along for 6 months on this 70 percent pay, and the other fellow would have the job. In other words, if you pay for unemployment you are going to get it.

Now, that is the fundamental proposition that I submit: That if we give people the right to take a job at merely normal wages when they get laid off from private industry, you are going to have those people stay with you. We had the experience in New Haven, that all of you must have had in your own communities in the 1930's, that, when finally business began to pick up substantially in 1936 and 1937, there were thousands of men on Government WPA that refused to go back to a factory job. They much preferred to get along with 3 days' work at \$15 than to go into factories and get double those wages, \$30 a week.

Mr. GIBSON. I have personal knowledge of the fact that we had crops burn up in the field while white men and colored men were loafing and gambling around the dives in town, rather than work for \$1.50 a day, \$9 a week, while they could get \$6 a week for doing nothing. I have heard that statement made by people who were sitting around idle while the crops were burning up in the field.

Mr. HASTINGS. As Dr. Hetherington says, if you pay for unemployment you are going to have it.

Mr. GIBSON. You can get anything you want to buy if you will pay enough for it.

Mr. HASTINGS. Yes, sir; if you pay enough for it you will have it. That is just inescapable.

Another reason why these public-works programs tend to become self-perpetuating is the overhead organization, having a vested interest in the job. You will recall that WPA was not given up until May of 1943, a year and a half after we went into the war, while there was a terrific demand for people in factories. I know in New Haven the employers were crying for more men to put out war materials, but because WPA jobs were there the men preferred to stay on that, and they did. I say that is not the way to stop unemployment. It tends to perpetuate it, and if you handle it by taxation, as the Senate bill intends to do, you will have a permanently growing volume of people unemployed; you never will get them back on the job.

Now, there is just one more thing before I go on to what I might call a constructive program as to what to do about this. The number of people who are physically able to do public-works construction is very limited, and the number of public jobs which are adapted to the great body of our unemployed is exceedingly small. We struck

that in New Haven, as I know you struck it elsewhere. The only kind of public works that you can engage in, to amount to anything in volume, is heavy construction work. Now, a very large proportion, considerably more than one-half—in New Haven the figures were about two-thirds—of the factory employees laid off are physically unfitted for heavy construction work. They simply could not do it. That applies to the men.

When it comes to the women the situation is even worse. You can't possibly provide public works for the women that are thrown out of employment in a period of business depression. You can use a few clerks and stenographers, but what are you going to do with the rest of them? You may recall that we adopted for the women in the depression of the 1930's what was called sewing projects. For a time some of those women did do some constructive sewing on Red Cross stuff, but then they ran out of that, and then what did they do? They brought their family sewing to the public-works place and did their family sewing there and were paid for it. The number of job opportunities both for men, and particularly for women, are extremely limited.

Then there is another trouble with this thing, and that is the location of the jobs. What are you going to do with people here in Washington, for instance, that are unemployed? You very quickly run out of useful, immediate public construction. Then you have got to send them out into the Missouri Valley for a new TVA out there, or out into the Columbia Valley or some other place, and you have got to move them hundreds of miles away from their home, and the married men simply can't go away from their homes. That is, the location of the job is bound to be at a considerable distance from the point of unemployment. And, furthermore, when you get those people, those of them that can go to those jobs, out in those areas of public construction, when jobs back in their home town reappear they are not available for the jobs.

So, even if the thing would work, even if it would help to restore employment, the character and the location of the jobs will only take care of a small fraction of the unemployed.

Now, I must move on because I must not take too much of your time. What I would advocate, what many in the field of economics would advocate, is a way of mitigating both the certainty of and the duration of the cycle of unemployment, which is our great problem. I would say in the first place we should do everything we can to bring public opinion pressure on employers to do more than they have in stabilizing employment and avoiding unemployment. There is just now out, and will be shortly issued to the public, a very comprehensive study by the American Management Association on what has been done individually by individual companies in stabilizing employment, and some of the ideas that have been worked out there by the men of many of our companies are very promising indeed. That will not solve the whole problem, but it will help to solve it. That is No. 1, to give every possible encouragement to private industry and business to stabilize its employment, and a good deal can be done that way.

Mr. COCHRAN. You know, Doctor, that this bill keeps the Government out of the picture until the situation develops that private industry cannot take care of it?

Mr. HASTINGS. Yes; I know that.

Mr. COCHRAN. There is no interference with private enterprise to absorb the unemployed; in fact, we hope and we pray that they will absorb it; but this is a bill, as I see it, that lays down a policy of advanced planning for the Government to enter the picture with something constructive to help out if the situation demands it.

Mr. HASTINGS. I just told you why I think it will not tend to put people back on private jobs, but it will be self-perpetuating, permanent program of public works. It will not tend to put them back on private jobs.

Mr. COCHRAN. When you speak of "public works," are you under the impression that the Government is going to be the employer?

Mr. HASTINGS. Yes.

Mr. COCHRAN. Well, suppose we put a provision in here—

Mr. HASTINGS (interposing). That is what the bill says.

Mr. COCHRAN. Assume that we put a provision in the bill that all contracts on public works shall be let to the lowest competitive responsible bidder; will that take the Government out of the picture so far as the employer is concerned?

Mr. HASTINGS. No.

The CHAIRMAN. The Government still pays the money for it.

Mr. HASTINGS. That would do the same thing that I spoke of a minute ago: that if you immediately take up the time for it, then all pressure to reduce wages is gone and, therefore, reduction in prices is gone.

Mr. COCHRAN. Putting the unemployed to work increases buying power, does it not, and then the manufacturer has to produce in order to meet the increased buying power?

Mr. HASTINGS. No; as I pointed out a minute ago, the Senate bill contemplates paying for those works currently by taxation, and if you pay for those works by taxation you are going to take away just as much buying power from the taxpayer as you give to the unemployed, so it doesn't help to restore buying power at all.

I would say, No. 1, that we ought to give as much encouragement and bring as much public opinion and pressure to bear on the employers to do everything they can to stabilize employment. It will not solve the problem by a long shot, but it will help to solve it.

Secondly, I would say that in the immediate future we have got to be extraordinarily careful about the reduction of our tariff structure. There is a great deal of hue and cry pressure these days about drastic reduction in tariffs in order to promote foreign trade. In my judgment, if we start any substantial reduction in our tariff rates—I am not saying that they are all right; many of them are too high, but any attempt to promote world trade, and therefore employment, by drastically reducing our tariff structure, is going to create in this country a tremendous amount of unemployment. But that is merely a temporary situation.

I would say this also, that if we want to stop unemployment in the very near future, within the next year, I believe it is essential to continue OPA. I would like to see OPA abandoned just as quickly as possible, but we now have already in circulation in this country about three times as much money as is normal for our present price level.

We have got \$22,000,000,000 in hand-to-hand money outside the

banks; whereas the normal supply at present price levels would be around \$7,000,000,000. We have got over \$90,000,000,000 of demand deposits, subject to check, in this country, and, by comparison with the amount of bank deposits subject to check in peacetimes, we at the present price level need only around forty at the very outside.

There is a perfectly terrifically explosive amount of money now in circulation and, if people begin to think that things are going to be all right in this country and begin to buy and spend that money in the market place, we are going to blow the price level up higher than it went in the 1920 boom after World War I, and that, although it will not immediately create unemployment—in fact, it will tend the other way—when you come to the end of the story, as we did in the spring of 1920, and you get a collapse in that postwar boom, we are going to have a perfectly terrible volume of unemployment. Therefore I would say, in the interest of sustaining employment in the near future, we ought to do everything possible to prevent a postwar inflationary boom of prices.

Mr. COCHRAN. To what time would you favor continuing OPA?

Mr. HASTINGS. I say continue OPA until the Government has reduced the volume of money in circulation down to reasonable proportions, so as to take this explosive amount of money that is now out in circulation out of the picture.

Mr. COCHRAN. If OPA should step out of the picture tomorrow, prices would be inflated immediately, would they not?

Mr. HASTINGS. I think so. We would have an inflationary boom over night. I don't like OPA. I think it is utterly unsound as a peacetime proposition.

Mr. COCHRAN. Do you think OPA is unsound when it protected the rentals from going sky high?

Mr. HASTINGS. Not during the war. If we had not had OPA during the war we would have had a worse inflation than we had during World War I.

Mr. COCHRAN. How about now, when there is such a scarcity of housing?

Mr. HASTINGS. I say I would continue OPA now by all means until we have gotten out of circulation this enormous amount of something around \$60,000,000,000 more money in circulation than we need, and if OPA is not here to hold that down, we are going to have a worse inflation, in my judgment, than we had after World War I.

Mr. RICH. Might I ask you this question now in reference to the tariff situation? If we reduce the tariff at the present time it probably would not affect anything, because foreign countries are not in position to ship much merchandise here, but as they get on their feet and we reduce the tariff which has been protecting the manufacturers of this country, who are paying higher wages than they are paying in foreign countries, just as soon as we reduce that tariff, our manufacturers are going to be closed down and the foreign countries are going to get the business.

Mr. HASTINGS. That is right. And I am more concerned about labor losing its job than I am about capital losses.

Mr. COCHRAN. Are you in favor of reciprocal trade agreements?

Mr. HASTINGS. I think that if carried on to a very limited extent they are all right, but if we get on this idea that we can possibly have

full employment in this country unless we have much greater foreign trade than we had before, that is economically an unsound proposition.

Mr. COCHRAN. Certainly you would not want to go back to the Smoot-Hawley Act, would you?

Mr. HASTINGS. No, I would not. I will say there are some tariffs excessively high and ought to be reduced, but if we start out on the general thesis that so many people are advocating these days of abolishing all tariffs, we are going to wipe out billions of dollars of invested capital and millions of dollars of jobs in this country, and that would be disastrous.

Mr. COCHRAN. The minute we start to raise tariffs beyond a reasonable point, the foreign countries will immediately retaliate, will they not?

Mr. HASTINGS. Yes.

Mr. COCHRAN. Therefore we are not going to be able to dispose of our surplus?

Mr. HASTINGS. We can have full employment in this country without any foreign trade other than the amount necessary to balance our imports of necessary raw materials. The idea that we have got to have a greatly expanded foreign trade in the future is, from an economic standpoint, a false doctrine.

Mr. WHITTINGTON. What would you do with crops like wheat and cotton, where we produce twice as much as we need or can consume?

Mr. HASTINGS. Well, there are certain commodities, like agricultural commodities, that we have got to have an export market for, in order to keep as many people employed on the farm as we have today.

Mr. WHITTINGTON. But you said we could consume it all in the United States.

Mr. HASTINGS. Not all agricultural products.

Mr. WHITTINGTON. Then we have got to have foreign trade for those agricultural products?

Mr. HASTINGS. Yes; as long as you want to keep these people on farms. You don't need to have them on the farm, though. We can get full employment with those people in industry.

Mr. WHITTINGTON. In other words, what you mean is, when you say you can't get full employment now in the market, you would contemplate taking a lot of people off the farms?

Mr. HASTINGS. Yes; I would.

Mr. WHITTINGTON. Are you familiar with the fact that there are more people off the farms today than ever before, and going back to the farm would provide for full employment very speedily, because there aren't many people on the farms, by and large.

Mr. HASTINGS. No; and I hope hundreds of thousands of them never go back to the farm.

Mr. WHITTINGTON. Then this ought to be an ideal time to promote full employment, if we are going to look at the matter only of those off the farm?

Mr. HASTINGS. Yes; and if we can develop our domestic market and keep those people employed in the city, we won't have as much of a farm problem on our hands today. I think that is thoroughly sound.

Now, here are some of the things—then I must move on, because I

must not take your time—some of the things that I believe are constructive in the way of preventing—mitigating, rather, not preventing—mitigating, lessening the severity of depressions during business cycles by taking further steps to prevent inflationary booms when business is good. All of our past experiences show that the greater price rise you have when business is good, the worse depression you are going to get after it is over. The 1921 depression was preceded by a terrible boom in the commodity market. The 1930 depression was preceded by a terrific boom in the security market, and when those booms collapsed, it simply suspended into a terrible tailspin.

You compare that with the depression of 1924, for instance, that was a very mild one. It was not preceded by any inflationary boom, neither in the stock market nor the commodity market, nor was the very slight depression of 1927 preceded by an inflationary boom, and you look at the previous business depressions of the past and you will find that although there are some exceptions to it, in general the depth of the depression is proportionate to the extent of the security and commodity price rise in the preceding period of activity. The more of a boom you have when business is good, the worse depression you are going to have.

Mr. COCHRAN. We had no control of commodity prices in 1920 and '21.

Mr. HASTINGS. No.

Mr. COCHRAN. And we have OPA controlling many commodity prices now.

Mr. HASTINGS. We had no OPA and the Federal Reserve Board had no control over the expansion of credit, because of the tremendous influx of gold from Europe during the war.

Mr. COCHRAN. But now we have control.

Mr. HASTINGS. And now we have made some improvement. Here are some of the things—

Mr. COCHRAN (interposing). Let us go to 1929. We had no control over the price of securities in 1929.

Mr. HASTINGS. No. The Federal Reserve Board constantly issued warnings about that security boom. The banks had plenty of surplus reserves. They didn't need to turn to the Federal Reserve banks to stabilize or finance that boom, and when the boom broke we had \$7,000,000,000 of securities owned on borrowed money.

Mr. COCHRAN. But now we have got control over securities today.

Mr. HASTINGS. Now we have, yes; the Board of Governors, the Federal Reserve, has some control.

Mr. COCHRAN. The Securities Exchange Commission can stop them from watering their stock.

Mr. HASTINGS. Yes, and that helps. That is part of the picture. Also, the Federal Reserve Board now has power—

Mr. COCHRAN (interposing). We are in a better position to control the situation today than we were in 1920, 1921, and 1929.

Mr. HASTINGS. Yes, but here are some of the things I think we ought to do in addition to that. For instance, the Federal Reserve Board, or more properly now the Board of Governors of the Federal Reserve districts, cannot raise the legal reserve ratios of our banks above double the original rate, which were 10 and 13. Now they can raise them to 14, 20, and 26, but that is as far as they can go.

Mr. WHITTINGTON. Raise what?

Mr. HASTINGS. The Federal Reserve Board can raise the legal reserve ratios of our banks up to 14 for the smaller banks, what are called country banks, 20 percent for the reserve city banks, and 26 percent for the central reserve city banks. That is double the original legal reserve ratio. Four years ago the Federal Reserve Board, by unanimous recommendation, which was also backed by the unanimous recommendation of the Federal advisory council, and also all presidents of the 12 Federal Reserve banks, recommended to Congress that the Federal Reserve Board ought to be given the right to raise those legal-reserve ratios to any limit they saw fit in order to stop the inflationary boom, and nothing has been done about it up to date. And that was despite the fact that it was the unanimous recommendation of the Federal Reserve Board, which was generally an easy-money board. The entire 12 members of the Federal Reserve advisory council recommended it, and the 12 members of the 12 Federal Reserve banks recommended it on January 1, 1941. That also is the recommendation of our economists national committee on monetary policy.

Because of the enormous influx of gold into this country we have now about \$20,000,000,000 of gold for reserve. Back in the 1920's we had only four billion. We have got five times as much gold in this country for bank reserve and money reserves as we had back in the 1920's, with the volume of business only slightly greater than it was then. Now the Board of Governors of the Federal Reserve system are utterly impotent at the present juncture to stop a terrific inflation of bank credit, but they could stop that if the Congress would give them power to raise those legal reserve ratios of the banks in any limit they saw fit, plus one more thing, and that is the power to compel all commercial banks to become members of the Federal Reserve System.

If, for instance, the Congress should merely give the Federal Reserve Board the right to raise legal reserve ratios to any limit they saw fit to stop an inflationary boom, then if one got under way, what would happen is that nearly all of the members of the Federal Reserve System would pull out and become State banks, and then you could not control them at all. In our present system we have got the possibility of our banks drawing out of the Federal Reserve System, and then the Federal Reserve Board would have no control over them. That was another recommendation also that was made by the unanimous opinion of the Board and the advisory council and the 12 presidents of the Federal Reserve banks, that all banks ought to be required to become members of the Federal Reserve System.

Third, we ought to continue the power of the Federal Reserve Board to name the terms of installment selling. We do now. We did it as a war measure beginning back in 1940 because of the impending shortage of consumer goods. We gave the Federal Reserve Board the right to name the terms of installment selling, and they did greatly increase the down payments and shorten the term of payment. Now, the reason for that, and it ought to be continued, clearly, it is all very nice when you are in a period of business depression, to help to get you out of the depression by having people be willing to buy ahead of their income. That stimulates the recovery business. But once you get business back up to a normal state of activity, millions of people go around to buy all kinds of things in advance of their current income,

you give them a buying power that is greater than the volume of goods available, and therefore it tends to create inflation of prices.

Mr. COCHRAN. Practically every businessman that comes here as a witness wants the Government to get out of the picture, insofar as putting shackles on business is concerned.

Mr. HASTINGS. Yes; I know it.

Mr. COCHRAN. Now, your suggestion is to add another shackle, is it not?

Mr. HASTINGS. Yes; you will find very strong opposition by businessmen to any curtailment—

Mr. COCHRAN (interposing). You want the power to tell a man how he is going to conduct his business.

Mr. HASTINGS. No; you don't tell him how to conduct his business.

Mr. COCHRAN. You tell the merchant to tell a man that wants to buy furniture that he must make a certain down payment, not what the merchant might want him to make, but what the Federal Reserve Board wants him to make.

Mr. HASTINGS. That is right, and I think it is perfectly sound, much as I dislike control of anything. If you allow people now, during this reconversion period and the period of business activity, to buy freely on any terms that the merchant is willing to sell them on, on the installment basis, you are going to have a volume of installment buying that is going to be perfectly terrific, and it is going to send prices right up through the roof. And it is financed—that installment buying is financed by our commercial banks.

Now, here is clearly a case where you cannot allow freedom of action of the individual and freedom of action of the bank in making loans. Our experience with the stock market boom in 1929 shows that perfectly clearly. The banks were making loans which, to them, were considered safe collateral loans, but the trouble was that they were made in such enormous volume that the buying of people on margin accounts sent stock prices up in a perfectly terrific boom. That is not in the public interest, and we have got to continue this power to restrict an undue amount of installment selling, otherwise it tends to make a worse price boom than we otherwise would have. That power of the Federal Reserve Board, as I say, much as I dislike the control of any business process by a governmental agency, here is one case where you have simply got to have it, just the same as Congress has got to control money. You can't leave that entirely in the hands of the banks and individuals.

Mr. RICH. You are recommending, however, that all of the banks go into the Federal Reserve, become members of the Federal Reserve?

Mr. HASTINGS. Yes.

Mr. RICH. You figure then that the Federal Reserve Board should have all the power that they could exert over all banks, whether they are State or National?

Mr. HASTINGS. Yes, I do. And you will unquestionably meet terrific opposition to it by the States on the question of State rights.

Mr. RICH. Then the State might just as well go out of the banking business.

Mr. HASTINGS. We ought not to have any State banks in this country.

Mr. RICH. Then you figure that all banks should be owned and controlled by the Federal Government?

Mr. HASTINGS (interposing). Ought to be members of the Federal Reserve System.

Mr. RICH. Should be owned and controlled by the Federal Government?

Mr. HASTINGS. That is right.

Mr. RICH. And yet you say you don't want—you believe in State rights, do you?

Mr. HASTINGS. I do, except where necessary—

The CHAIRMAN (interposing). He didn't say "owned and controlled by the government." I don't think the doctor means to say that you advocate national ownership of the banking system.

Mr. HASTINGS. Absolutely no; not national ownership of banks.

Mr. RICH. If they have got control, if the Federal Government has complete control, they might as well all be national banks. What is the difference?

Mr. HASTINGS. Well, I would compel them to be national banks so you would have control.

Mr. RICH. Then you would do away with the State banks?

Mr. HASTINGS. Yes; I would do away with State banks. And that is virtually the unanimous opinion of our Economists National Committee on Monetary Policy. And the reason for it is this: Much as many of us dislike to have any interference with State rights, here is a case proven by our experience in 1920, in the boom of 1920, and the stock market boom of 1929, where, if you don't have control over the expansion of bank credit in this country, you are going to have perfectly terrific booms.

Mr. RICH. If in 1929 the Federal Reserve had made the loans to the banks of this country instead of conserving their resources, the banks might never have been in trouble.

Mr. HASTINGS. That is right.

Mr. RICH. And the Federal Reserve might have gone into bankruptcy, but what would that have hurt if they had gone into bankruptcy? It would only have taken 10 percent of the capital of the various banks and it would have been widely and evenly distributed, whereas, on the other hand, Eugene Meyer, who was then Chairman of the Federal Reserve Board, refused them, refused to make loans, and instead of the Federal Reserve operating as it should have operated, it did not operate. It stopped operating.

Mr. HASTINGS. You have got to run the risk that the Federal Reserve Board may make mistakes of judgment. You can't help that.

Mr. RICH. That is just the same way here if you put all banking in the hands of officers of the Federal Government. You have still got the human element. Mayer was a Federal Government employee, a Federal Government officer, and he failed in his operation of the Federal Reserve banks, so if you make all banks Federal banks and the Federal officers do the wrong thing, what is going to happen?

Mr. HASTINGS. It will simply mean that if the Federal Reserve Board stops the expansion of bank credit when business is good, it merely prevents an inflationary boom. That is all. And that is something we need in this country. If the Federal Reserve Board had had the power in 1927 to 1929 to raise the margin requirements

on collateral loans of our banks, we never would have had that terrible boom that we had, and we would all have been ever so much better off. The banks themselves thought they were safe in loaning money at a very high percentage of market value, then when the crash came that condition was in large part responsible for a terrific amount of bank failures, because the banks had loaned too much money in those stocks.

Mr. RICH. But even then, instead of the Federal Reserve trying to help some of those banks out, they closed in and wouldn't make any loans to them and wouldn't even try to save them.

Mr. HASTINGS. The reason they did it with some of the banks was because the banks were utterly insolvent and there was no use in throwing good money after bad money.

Mr. RICH. I know a small country bank that was in good shape and tried to get loans on mortgages, and the Federal Reserve refused to give the loans. I went through that and I know what I am talking about, because I wrote to the President and he sent this letter to Eugene Meyer, and the President agreed with me, but Eugene Meyer said "No." And he was supposed to be a Republican, but he certainly missed it that time. He didn't know what he was doing.

Mr. HASTINGS. But if you had stopped the boom in the first place that situation never would have arisen.

Mr. RICH. We had too many people believing that everybody else was a sucker, that they could buy stock and sell it to somebody else who was a bigger sucker than he was.

Mr. ELLIOTT. Will the gentleman from Pennsylvania yield? What has that got to do with this bill?

Mr. COCHRAN. Now you are talking. Let's get back to the bill.

Mr. HASTINGS. It has nothing to do with the bill. The next thing I have after installment buying, finally I would say that, not immediately but as soon as possible we ought to begin to move in the direction of going back to the gold standard and getting the cooperation of the other nations of the world to also go back to the gold standard. Now, if we are going ahead in this world with managed foreign exchange, with every nation in the world trying to convert to a paper-money basis, until we get back to the gold standard I see no hope but what we will just whipsaw each other in economic warfare, devaluation after devaluation, trying to get the best of the other fellow temporarily, throwing the whole business system into chaos. So I believe that as soon as possible one of the most constructive things we can do in the interest of stabilized employment is to get back on the gold standard. Not only for United States to get back on the gold standard, but do everything we can to get the rest of the world back on the gold standard.

Mr. RICH. We will have to sell them gold in order for them to do that.

Mr. HASTINGS. That is right.

Mr. RICH. Because we have got the gold market cornered.

Mr. HASTINGS. That is right.

Mr. RICH. How would you recommend getting that gold back into the hands of these other nations?

Mr. HASTINGS. The same as we did after World War I, by lending some of our gold to some of the other nations to get back on the

gold standard. It would be money well spent, even if we never got it back.

Mr. RICH. Suppose they didn't pay their loans?

Mr. HASTINGS. I believe, as a matter of fact, it would pay this country to give away a large part of its gold supply to the other nations, even if we never were paid for it, to get on the gold standard.

Mr. RICH. What would you suggest doing with the gold that the Government took away from the American citizens?

Mr. HASTINGS. They haven't got much of it now.

Mr. RICH. I say, what would you suggest, if you are going to give away gold to foreign countries, yet the Government took the gold away from its own citizens, what would you recommend there?

Mr. HASTINGS. I say go back to the full gold standard and allow the people to get gold if they want gold.

Mr. COCHRAN. You are talking now from the standpoint of preventing inflation?

Mr. HASTINGS. Yes.

Mr. COCHRAN. This legislation is drawn to aid in the event that there is inflation and then a depression. That is what we would like to hear about.

Mr. HASTINGS. If we can prevent an inflationary boom when business is good, then by the same token, as proven by past experience, we find that depressions are greatly lessened, both in severity and duration.

Mr. COCHRAN. Granting that is true, suppose we get into a depression, then what would you do?

Mr. HASTINGS. We would still have depressions. It is utterly impossible to think of getting rid of the business cycle as long as we have free enterprise in this country.

Mr. COCHRAN. If we were in that position, what we would like to know from you is what to do.

Mr. HASTINGS. Like we did, for instance, 1924, when there was no previous inflation but we went into depression. Now, what are you going to do about those when you get into them? You have them. I say do everything you can to prevent a boom, and still you have a depression, and what are you going to do about that? I would say, as far as the Federal Government is concerned I would do virtually nothing except to maintain a balanced budget. I would not have the Federal Government itself directly intervene to put business back on its feet by these bills or any other method. I would say we have got to have an economic situation where we can have a drastic reduction in prices when business turns sour.

There is nothing so elemental in the field of economics as that the lower the price of goods the more you sell. You cannot get away from that. If you can't sell all the goods you are capable of producing at today's prices there is just one thing to do, sell more goods, and the way to do that is to cut prices. So when we get into this period of business depression we have got to face the fact that the cutting of prices is necessary if we want to restore the total volume of sales, and therefore the total volume of employment. But right now the chief barricade to the reduction of prices when business turns sour is the growing and great power of our national labor unions.

Mr. WHITTINGTON. Our national what?

Mr. HASTINGS. National labor unions. They have always strongly resisted, strenuously resisted any cut in money wages, even in the face of severe unemployment; in fact, many of them have moved further, and they say that the way to cure depression is to raise wages. Now that, in the opinion of all of our economists, is the wrong way to go at it. We have given labor perfectly terrific power under the Wagner Act, in order that they might themselves rectify some injustices that labor suffered under. But this is a fundamental proposition, gentlemen, if you give a group the power to rectify an injustice, by the same token you give them the power to commit an injustice, and that is true of an individual, true of any group of individuals, true of government itself. You give the Congress of the United States the power to rectify wrongs within the country, and you also, by the same token, give the Congress the power to commit wrongs against minority groups.

Now, in order to try to get labor out from under some situations, which some labor was under, of exploitation by unscrupulous employers, we have given them the power themselves to rectify those situations, but unfortunately, by the same token, we have given them the power to commit a wrong, and I say an economic wrong that labor not only has committed but will commit is always to try and get more and more money for less and less work, and even in the face of severe unemployment they still continue to ask for more money.

Mr. COCHRAN. You think they should voluntarily come in and accept a reduction in pay?

Mr. HASTINGS. No; of course they won't.

Mr. COCHRAN. I say do you think they should?

Mr. HASTINGS. I think they should, absolutely.

Mr. COCHRAN. Well, take your group, Doctor, do you think that the professor in the colleges throughout the United States will voluntarily come in and accept a reduction in pay?

Mr. HASTINGS. If there are unemployed teachers, they certainly ought to.

Mr. COCHRAN. They would come in and accept voluntarily a reduction in pay?

Mr. HASTINGS. They naturally would not, no, but that is the thing for them to do.

Mr. COCHRAN. Would they do it?

Mr. HASTINGS. Not if you gave them the power to stop it. You get up against the teachers union and they would block us just the same way as any other labor union.

Mr. COCHRAN. Human nature is the same with the professors in the colleges and universities as it is among the labor group?

Mr. HASTINGS. Certainly, those people, if you gave them the power to stop a reduction in salary, they would stop it.

Mr. COCHRAN. A representative of Johnson & Johnson of New Brunswick, N. J., testifying before a Senate committee yesterday—Johnson & Johnson, I think, is a very large manufacturer of surgical supplies and so forth—he not only testified before the Senate committee yesterday that the workers should have a minimum wage of 65 cents an hour, but he said that the minimum wage should be 75 cents an hour. That is by one of the most outstanding manufacturers of surgical instruments and surgical supplies in the United States.

Mr. WHITTINGTON. What would you do about the labor situation with the Wagner Act?

Mr. HASTINGS. About the Wagner Act, I would make the labor unions subject to the same antitrust laws as capital is.

Mr. RICH. May I ask the gentleman a question, Mr. Chairman? It is human nature for everybody to ask for increased wages and the labor unions do not want to take a reduction, the professors do not want to take a reduction, the Members of Congress do not want to take a reduction. Isn't it the duty of Congress when they see that things are going that way, and for the best interests of the country, that they should correct any injustices in the law and see that those things that people are permitted to do that are wrong should be righted?

Mr. HASTINGS. That is right.

Mr. RICH. And that the Members of Congress then should have backbone enough to try to do the right thing for the benefit of the Government, which is the protector of all of our people rather than any particular group?

Mr. HASTINGS. That is right. I don't see any justice at all in this country levying on the taxpayer a bill to support, say, 5,000,000 unemployed people, when if those unemployed people only took a lower wage they would be employed. It is shortsighted selfishness on their part that they insist on it, and I see no reason why they should do that.

To get back again to the depression of 1921, if you reduce wages in times of business depression, you don't cut the real wages of the worker, except by a very small amount. I gave you the figures on that. We cut wages by 19.9 percent in 1921, but the cost of living went down 18.7 percent, so we virtually cut wages not at all, as far as real wages are concerned. I think, though, by the way, if we made the labor unions subject to the same antitrust laws as capital is subject to, you would have to do something more to protect labor, and I believe that can be done, but that is too long a story, and I don't want to get off on that.

Mr. WHITTINGTON. What is your next point?

Mr. HASTINGS. I believe we can give labor protection without giving them monopoly power to protect their rightful interests. That is a solution we have got to have in this country, to protect labor's rightful interest without giving them monopoly power. I think that is a mistake. Also I think we should continue in peacetimes to see that the wage groups do not exploit the consumer and do not exploit the taxpayers by having violations of wage contracts. I know that last December the War Labor Board was over 21,000 cases behind in its docket, and December of last year, with all of the restraints on labor not to ask for increases. One of the members of that Board told me at the time, when I asked him, I said, "Is it practical to continue to regulate the wage contracts in peacetimes?" and he said, "No; it is utterly and completely impractical. It can't be done in a country of this size."

Well, if labor monopoly is not even in labor's interest, and you cannot regulate it, there is only one thing to do. The only one answer is to break it up. But as I said, I would not simply apply the antitrust laws to labor without doing anything to protect labor, because then you put labor right back where they were in the early part of the

century, which was very bad indeed. I believe there is a solution, but I can't take your time this morning to outline it.

Mr. WHITTINGTON. Let us go ahead on this problem here.

Mr. HASTINGS. If we will prevent inflationary booms when business is good, and have a flexible price level when business turns sour, many of us believe that the business depressions of the future are going to be no more severe and no more prolonged than these depressions that we had in the past, when we did not have inflationary booms preceding them, and that the amount of unemployment there can be taken care of, if necessary, by local charity. We never in this country have allowed people to starve or be without a roof to sleep under, or to have clothes on their bodies. We never have. But there is an enormous difference between saying to people who do not have any resources with which to feed and clothe and house themselves, to say on the one hand, "If you don't have a job, we are going to give you a full-time job at full-time wages"—it is a long way from that proposition down to the point where we say, "Yes; we will keep body and soul together but we are not going to give you a full, comfortable living. You have got to find your own job if you want a comfortable living, and therefore adjust your wage rates to the point where you can get a job."

Mr. COCHRAN. I would like to ask just one question. Your statement there, in my opinion, was in direct contrast to what you said a short while ago. You said that the unemployment situation must be taken care of by local charity.

Mr. HASTINGS. Yes.

Mr. COCHRAN. In other words, place the unemployed on a dole at the expense of the people of the community?

Mr. HASTINGS. That is right.

Mr. COCHRAN. Then you believe in the dole, do you?

Mr. HASTINGS. I believe in relief, direct relief. I certainly do. We cannot allow people to starve.

Mr. COCHRAN. Certainly we cannot allow them to starve, but direct relief should be the last resort when it applies to one able and willing to work.

Mr. HASTINGS. That is right; that ought to be a last resort.

Mr. COCHRAN. But you put it as the first resort.

Mr. HASTINGS. No.

Mr. COCHRAN. You say let the local community take care of the unemployed.

Mr. HASTINGS. That's right. In certain cases, in large industrial centers where you have got virtually your entire population employed in a plant and the plant goes out of operation, then that local community will have to have some help from either the State government or the Federal Government.

Mr. COCHRAN. Then you would have to come back to the Federal Government to step into the picture and help in some cases?

Mr. HASTINGS. I think the Federal Government might step in on direct relief.

Mr. COCHRAN. Then you believe in some kind of advanced planning for them to come in and help?

Mr. HASTINGS. I would say if they can't get a job and haven't the money to feed and clothe and house themselves they have got to be taken care of, but don't give them a full-time, normal wage, otherwise

there is going to be no readjustment of prices at all, and I believe honestly, from the standpoint of maintaining the morale of our people, it is much better to make a person take direct relief than it is to give him a job and not ask him to do a decent job. I think the loss of morale in this country in the 1930's by people leaning on their shovels by the hour was a perfectly terrible thing for the people of this country.

Mr. WHITTINGTON. After you have finished your statement, put yourself in our places across the table, if you will, and with the two bills before you, undertake to plan in advance, as far as Congress can, to prevent unemployment following a boom or deflation, and taking these two bills section by section, what legislation would you recommend as a substitute for these two bills—and by the “two bills” I mean the House bill and the Senate bill? First, what would you substitute for section 1?

Mr. HASTINGS. The first thing I would do would be to tighten our credit control so we would not have an inflationary boom.

Mr. WHITTINGTON. What language would you use to do that in this bill?

Mr. HASTINGS. You can't do it in this bill. These bills, I think, are fundamentally, basically wrong. They are not subject to amendment. They have the wrong idea, the wrong way to go at it, and if you amend these bills to bring out what I think should be done, you would not recognize the bills. You would omit practically all language in them.

Mr. WHITTINGTON. Very well, if you want to do that, I will repeat my question: Do you have any substitute that you would recommend, and if so what would be the substitute for the pending legislation, to enable the Congress of the United States to go on record and declare now, whether it would be a complete substitute or not, a measure that would aid in preventing or mitigating unemployment?

Mr. HASTINGS. The two things that I would say fundamentally—

Mr. WHITTINGTON (interposing). Pardon me, would you embody that in a bill, a substitute for these two bills?

Mr. HASTINGS. Yes; I would put through two bills covering the two most important things to do, as I have indicated. One is to give the Federal Reserve Board greater power to control an inflationary expansion of credit.

Mr. WHITTINGTON. Is that your first recommendation?

Mr. HASTINGS. Yes; for the prevention of unemployment. For one thing, as I said, we have got to compel all commercial banks to become members of the Federal Reserve System and give the Federal Reserve Board the right to raise the legal reserve ratios to any limit they want. Those would be the principal features of that bill.

The second bill that I would put through would be a bill that would apply—would say that all of our antitrust laws apply equally well to labor as to capital.

Mr. WHITTINGTON. Now, Doctor, as head of your department, would you recommend either or both of those substitutes for the same pending bills before this committee?

Mr. HASTINGS. I would. I would recommend both of these bills be discarded completely.

Mr. WHITTINGTON. And you recommend that these other two bills be introduced?

Mr. HASTINGS. Yes, sir. In addition to applying the antitrust laws

to labor the same as they apply to capital organizations I would also supplement that by another bill which would require enforced publicity of wage rates. That is something I do not have time to go into, and you do not have time to hear me on it. I believe that if you apply the antitrust laws to labor organizations today you would certainly put labor right back where they were in the early part of the century, which was very unfortunate.

Mr. WHITTINGTON. Assuming for the purpose of argument that I have introduced bills in Congress in accordance with your ideas, to control the banks, you must recognize the fact that this committee has these two bills before it, and if there were certain bills relating to the Federal Reserve System introduced they would never be referred to this committee; they would be referred to the Committee on Banking and Currency. If a bill was introduced with respect to labor it would be referred to the Committee on Labor. So that I come back to my original question: practically and realistically and concretely, if I may say, with these two bills under consideration this committee has one of two courses: either to reject, to oppose these bills, and so far as we are concerned in this particular emergency, undertake to do nothing about the unemployment situation, or to report a substitute for these bills.

Now, the items that you mention, would you consider that as a substitute for this legislation, and if so, just man to man across the table, give me section 1 of the bill that you propose as a substitute for these two bills.

Mr. HASTINGS. Well, it is quite appropriate for this committee, if in its judgment, this is a fundamentally wrong approach to solving this unemployment problem, for the committee to say that they do not believe this is the way to solve it.

Mr. WHITTINGTON. What do you offer as a substitute?

Mr. HASTINGS. They can, if they wish to, say to the Congress that they believe the way to go at it would be to give greater control over credit expansion to stop a boom and also to apply it to labor.

Mr. WHITTINGTON. That would be an argument for not reporting any bill at all. But if we want to act constructively, if we assume that these bills are the wrong approach, as you have indicated, and that you are correct in your position, I now repeat my question: Realistically, what would you recommend as a substitute that this committee might insert in the place of one or both of these bills and report to the House?

Mr. HASTINGS. If I understand it correctly, I would say that possibly it would be more appropriate for this committee to recommend that we amend the Federal Reserve Act along the lines indicated. I don't know whether it is appropriate or customary in Congress for this committee to say, "We do not believe that this problem ought to be solved by a bill that would be appropriately referred to us, but by a bill that would be referred to another committee." I don't know whether that is the custom of Congress or not.

Mr. WHITTINGTON. Anyway, without meaning to detain you, your view is that both of these measures are unsound approaches?

Mr. HASTINGS. Yes.

Mr. WHITTINGTON. And you have no language to suggest that we could embody in a substitute for both these bills, but your suggestion

is that in reporting against the bills we would say, first of all, that there should be this power given to the Federal Reserve Board, and, secondly, that the antitrust laws ought to apply to labor?

Mr. HASTINGS. Yes; you can do that if you want to.

Mr. WHITTINGTON. Well, is that what you recommend?

Mr. HASTINGS. That is my recommendation, gentlemen, and I have told you the reasons why. I think this bill is fundamentally the wrong approach, because it will tend to freeze and fix our whole price structure in this country, and if there is anything that is needed to make private enterprise function it is flexibility.

Mr. WHITTINGTON. Then you are unable to suggest any substitute, appropriate substitute, in place of either one of these bills?

Mr. HASTINGS. Not for a bill, I would say, that would be appropriately referred to this committee.

Mr. WHITTINGTON. You understand, Doctor, if we adopt a substitute for this bill it doesn't have to be referred. If this committee struck out all after the enacting clause and inserted something that could legitimately be substituted, it would not have to be referred to this committee because that would be the committee substitute for the bill.

Mr. HASTINGS. This committee, however, would not hold hearings on a bill to amend the Federal Reserve Bank law?

Mr. WHITTINGTON. I don't know, but we have so far this morning, with all deference to you. [Laughter.]

Mr. HASTINGS. You asked me what I would substitute for them.

Mr. WHITTINGTON. That is right.

Mr. HASTINGS. That is what, in my judgment, ought to be done.

Mr. WHITTINGTON. We either report these bills or we offer a substitute, one or the other, and I have undertaken to present to you the realistic situation, and ask you if you have any constructive substitute for either of these bills that would enable the Congress of the United States to plan constructively for the prevention of widespread unemployment due to business cycles or inflationary prices or depressions.

Mr. HASTINGS. I told you what I would recommend, two principal lines of legislation, one to strengthen the hands of the Federal Reserve Board to stop inflationary booms, and secondly, I believe that even if you pass no further legislation which I think should be passed, I honestly believe that labor would be a lot better off in this country if you apply the antitrust laws to labor than if you do not. I know there is no labor-union man that I know of who would subscribe to that thesis, but I honestly believe it.

Mr. BENDER. I would like to ask the doctor a question. How long have you been with Harvard?

Mr. HASTINGS. I have been with Yale.

Mr. BENDER. You are a Yale man?

Mr. HASTINGS. Yes.

Mr. BENDER. I thought you were a Harvard man?

Mr. HASTINGS. No; I am not.

Mr. BENDER. Harvard had a great influence on the Government for many years. I don't know how much influence Yale has had, but I beg your pardon. I thought you were a Harvard man.

Mr. HASTINGS. No. Some of my friends are from both Harvard and Yale.

The CHAIRMAN. Are there any further questions?

Mr. CHURCH. Just to qualify the witness along the lines Mr. Bender asked, how long have you been at Yale?

Mr. HASTINGS. Since 1923.

Mr. CHURCH. Then for the record will you forget your modesty and state a little more about yourself, your qualifications to testify?

Mr. HASTINGS. I was originally trained as a civil engineer at M. I. T. and went into the steel business in Chicago.

Mr. CHURCH. What company in Chicago?

Mr. HASTINGS. The Joseph T. Ryerson Co. I became interested then in the business aspects of structural steel work and construction, and went back to the Harvard Business School for a year for study in economics, and I became so intensely interested in economics that I gave up structural steel and went into the field of economics. I then went out to Portland, Oreg., and put up a set of college buildings there for Reed College in Portland. They then invited me to stay on the faculty, and I got such a flair for economics and teaching that I went into teaching there. Then I went back to the Pollock Foundation for economic research for 3 years, from 1920 to 1923, and spent my entire time on this business cycle problem.

From there I went to Yale, and at Yale I am director of the course in industrial administration and engineering, a 4-year course of study for men going into industry. I have kept my contacts with the business world, however, continuously. I am a director of the Connecticut Chamber of Commerce. I am also a member of the executive committee of the Connecticut Economic Council, and I happen to be the only teacher that is on either one of these two boards.

Mr. CHURCH. In your capacity in which you were working at Chicago, did you ever employ any men there?

Mr. HASTINGS. I employed a construction crew one time up in a little construction job in New Hampshire, but that is all.

I am also a member of the board of directors of the Yale Cooperative Corp., and a member of the executive committee.

Mr. CHURCH. Now, I would like to have your suggestions in your extension of your remarks—I mean, will you furnish the committee additional suggestions on these amendments or these substitutes—not this bill, but the substitutes? I would like to have them, but do that by way of extension. Also, you mentioned that the American Management Association has a program. I wish you would give us a summary of that for this record. I don't want to detain you, but I wish you would stay, because we have a gentleman here from Chicago who has been waiting all this time. He had your time, but we were delayed.

Now you have stated as the No. 1 point that we should do all we can to get public opinion pressure on employers to stabilize employment?

Mr. HASTINGS. Yes.

Mr. CHURCH. I wish you would remain here, because I would like to develop that a little further after Mr. Connelly testifies. Can you do that?

Mr. HASTINGS. I can. This publication I speak of—

Mr. CHURCH. You can put that in the record. I don't want to take the time now.

Mr. HASTINGS. This has not been released for publication, but it will be in a few days.

Mr. CHURCH. I would like to have a summary of what you want to consider.

Mr. HASTINGS. This will be available for any member of this committee in a few days anyway. It gives the experience of companies in trying to stabilize their employment, giving a great variety of plans that have been tried [producing a pamphlet].

Mr. CHURCH. How can each member of the committee receive that?

Mr. HASTINGS. I will let you have this. You can take the address and the title.

Mr. CHURCH. All right. That is all I want.

Mr. HASTINGS. This has not been released to the public, but it will be very shortly.

Mr. RESA. Doctor, you pointed out a situation in which people who have purchasing power would be taxed in order to provide purchasing power to those who do not have it. Then you stated, very appropriately I think, that the net result of that operation would be no increase in the purchasing power of the country?

Mr. HASTINGS. That is right.

Mr. RESA. However, if you had a situation in which, let us say, 75 percent of the people of the country were able to do much more than to purchase the necessities of life, and 25 percent of the people, roughly, were unable to purchase the necessities of life, wouldn't it be necessary by the taxing process to transfer some of the excess purchasing power of those who have it to those who have a deficiency purchasing power?

Mr. HASTINGS. Yes; certainly; temporarily you have got to provide them with direct relief.

Mr. RESA. So, is it not a fact that the economic health of this country depends not solely upon the volume of purchasing power but, to a large extent, upon its distribution?

Mr. HASTINGS. No; not as far as total business activity is concerned. It does not matter how that purchasing power is divided between different economic classes. I don't agree to that.

Mr. RESA. Well, if 10 percent of the people of the country had 90 percent of the purchasing power and decided to do nothing with it?

Mr. HASTINGS. You don't need to worry. That will never happen under the free enterprise system.

Mr. RESA. But didn't you describe a condition in which there would be a very severe retrenchment of expenditures growing out of fear that a depression was coming?

Mr. HASTINGS. Yes.

Mr. RESA. Wouldn't that bring about almost exactly the situation I mention?

Mr. HASTINGS. Yes; but if you have a readjustment of prices and wages the way you did, for instance, in the great depression of 1921, that fear is quickly removed. We were only in that depression for about a year and a half from the time we crossed the normal business line until we got back up again.

Mr. RESA. So far as the ability to purchase the necessities of life is concerned, you would not say that volume without distribution would be sufficient, would you?

Mr. HASTINGS. No; you have got to support—it doesn't matter how much lack of thrift an employed person has shown when business is

good, he might well have provided to carry himself through a period of business depression; but we cannot say to that man: "Well, it is your fault, brother. You didn't save enough money when your wages were good. Now you are going to starve." We can't do that. Nobody wants to suggest that. You have got to carry these people through on a minimum of subsistence, but that is an entirely different proposition from guaranteeing him a full-time wage.

Mr. RESA. Doctor, we will not depart from the subject that I undertook to interrogate you about. I am dealing now only with your statement that nothing is accomplished by a change in the possession of purchasing power, where there is no change in volume.

Mr. HASTINGS. That is right.

Mr. RESA. You said that in the event of mass unemployment you would provide direct relief to those unable to purchase the necessities of life.

Mr. HASTINGS. That's right.

Mr. RESA. What would be the source of the funds thus provided?

Mr. HASTINGS. That has got to come out of taxes.

Mr. RESA. And those taxes come from people who have purchasing power?

Mr. HASTINGS. That is right.

Mr. RESA. And that money is going to those who do not have purchasing power?

Mr. HASTINGS. Yes, sir; and it won't help to restore business activity, but it will be only the humane thing to do, and you have got to do it.

Mr. RESA. I am still talking about the proposition that volume of purchasing power, independently of its distribution, does not solve our unemployment problem.

Mr. HASTINGS. No; you want to get those people back on a job, and I say the way to get them back on a job is the way we always used when we had a business depression; get your prices down to the point where you sell in sufficient volume so they will have a job, and put pressure on those people to take a job.

Mr. RESA. But isn't the effect of your testimony necessarily that measures that must be resorted to, whether they provide nothing more than direct relief or employment at wages, must result in a new distribution of purchasing power without any change in the volume. Your relief measures do that, don't they?

Mr. HASTINGS. Yes; and you have got to do that.

Mr. RESA. One more question. You recommended, as items providing a substitute for this legislation, an increase of the control of the Federal Reserve Board over bank credits and the subjection of labor unions to the antitrust laws?

Mr. HASTINGS. Yes, sir.

Mr. RESA. Isn't that a fact that such measures would provide a remedy only in the case of a depression following a boom and would provide no remedy in the case of these various depressions you mentioned in the course of your testimony, which occurred without having been preceded by a boom?

Mr. HASTINGS. That is right. As I say, we will still continue to have business depressions, but if we only get depressions like the depression of 1924 or the depressions back in 1911, 1912, 1913, along

in that era—if they only last that long—that is not too serious a part, a necessary part, of the price of maintaining free enterprise in this country.

There is another thing that I think would be helpful, and that is that the Department of Commerce would give more adequate figures in regard to commerce and trade. When you have a period of rising business activity there tends to develop what we call a “pyramiding of orders.” As business begins to pick up, if retail trade increases 5 percent they think trade is going to be better, so they will increase their orders to the wholesalers another 5 and make it 10 percent, and the wholesalers will pass on still bigger orders to the manufacturers, and the manufacturers again step it up on the raw material. That is a phenomena that is accurately measured and known—that we have this whipping up and down of business cycles; that when we get on the upgrade the raw material people expand very much greater relatively than consumer buying does, and it goes back down the line until it gets to the consumer. One reason for that is the fact that we do not now have from the Department of Commerce adequate figures to show actually the volume of trade at different levels of production, and I think if we did have more adequate figures they would not get so far out of line. All that the raw material people know is how many orders they are getting, what volume they are getting, from the manufacturers. They don’t know anything about how much of that raw material actually moves into consumption.

Mr. RESA. I don’t think you will find anybody on this committee who will quarrel with any man who would provide the people and the Congress more abundant information. I have no further questions.

The CHAIRMAN. Are there any further questions?

Mr. BENDER. Doctor, do you regard this as preventive? This measure has for its purpose the prevention of unemployment? Is that your understanding?

Mr. HASTINGS. Not the prevention, but the lessening of it—mitigation of it. You cannot prevent it. There is only one possible way to prevent all unemployment, and that is to adopt the totalitarian society of Russia. If you want to absolutely prevent all unemployment, let us adopt the Russian system, and you have got it.

Mr. BENDER. Do you want to adopt the Russian system?

Mr. HASTINGS. I certainly do not.

Mr. BENDER. Who does?

Mr. HASTINGS. I say that is the only practical way to provide it.

Mr. BENDER. What do you think?

Mr. HASTINGS. Many of us think it is perfectly possible to keep this unemployment problem within reasonable limits and still preserve free enterprise and democracy in this country.

Mr. BENDER. I understand the purpose of this bill is, first to call on private industry to provide employment.

Mr. HASTINGS. Yes.

Mr. BENDER. Second, to provide funds for private industry through such agencies as the RFC.

Mr. HASTINGS. Yes.

Mr. BENDER. And then, as a last resort, provide jobs on the public pay roll.

Mr. HASTINGS. Yes. But you can call on industry from now till

doomsday in times of business depression to increase their employment, and if the national labor unions won't let them cut their wage rates they can't do it. No human being can do it. The only way they can increase employment is to cut wages so they will sell more goods.

Mr. BENDER. What percentage of the employees in the United States, those who work for a living, are members of labor unions?

Mr. HASTINGS. The estimate is around 17,000,000 out of a total of about 50,000,000 employed—about one-third. But there is the key to the whole situation. If our industries don't function, business can't function, service industries can't function, nothing can function. If you stop your manufacturing plans to maintain full volume of employment, that is going to affect every kind of employment in the country. It is there that you have the great percentage of labor. I certainly agree that labor needed much greater protection than they used to have, but I submit to you, particularly with respect to this problem of maintaining stability of employment, the Wagner Act is the greatest increaser of unemployment in this country, greater than anything we have ever had. Take, for instance, anthracite coal. They recently got an increase in the wages of coal miners. That raised the price of anthracite coal by a dollar a ton. What is that going to mean to the anthracite miners? It is going to mean that just as quickly as people can get oil burners, a lot of people are going to convert to oil, and you are going to have a reduction in the consumption of coal and you will have a reduction in the number of people employed in anthracite mining by at least thirty or forty thousand miners. They raised themselves out of a job.

Mr. BENDER. We have had this problem, this controversy between the miners and the owners, over a period of many years.

Mr. HASTINGS. Yes.

Mr. BENDER. And still business goes on and the industry prospers.

Mr. HASTINGS. Well, industry gets on all right, but we are on the downward trend and have been for a great many years in number of miners employed. That has been going down steadily.

Mr. BENDER. Do you have any figures to indicate that?

Mr. HASTINGS. I haven't them here with me; no.

Mr. BENDER. Can you supply them for the record?

Mr. HASTINGS. Oh, yes; I can get them from the Department of Labor.

Mr. BENDER. I would appreciate it if you would do that.

Mr. HASTINGS. The number of people employed has receded terrifically. The same way in the railroad business. With all their waste of workers, all their feather-bedding, the number of men employed on railroads is going down.

Mr. BENDER. Don't you think that machinery has something to do with it?

Mr. HASTINGS. No; temporarily only. So far as machinery is concerned, when they introduced automatic glass-blowing machines in this country we had permanently less people employed in making glass. People won't buy more bottles and tumblers and what not because they are cheaper. There is a very inelastic demand, and it is true that as far as an inelastic-demand product is concerned, you will permanently increase unemployment in that industry, but that does not mean increase unemployment for the country as a whole. Why? You and I can

buy our electric-light bulbs now for 10 cents apiece because of automatic machinery.

Back in the 1920's we used to pay 40 cents apiece for them, and now we pay 10 cents. That is because of automatic machinery. People don't buy any more light bulbs because they can buy them for 10 cents instead of 40 cents, but there are less people engaged in making light bulbs; but you and I, when we buy a light bulb, instead of putting down 40 cents for it, put down 10 cents, therefore we have got 30 cents to spend on something else, and therefore that increases employment in other industries.

Mr. BENDER. How many more light bulbs are being sold to the public at 10 cents a bulb than were sold at 40 cents?

Mr. HASTINGS. There are more because of the growth of the use of electricity, not because they are sold for 10 cents instead of 40 cents. You don't take out a light bulb until it is burned out. There are more bulbs being consumed because there are more people consuming electricity.

Now, let me give you another example of where technological improvement increases employment. The great example of that that we have in modern times is the automobile industry. If we didn't have the introduction of labor-saving devices in the automobile industry, the automobile people would not employ any more than they used to employ back in 1910, when cars were selling for around \$10,000 apiece. We put in labor-saving devices and reduced the price of cars, and the number of people employed in the automobile industry has grown by leaps and bounds, and the faster they put in automatic machinery in Detroit, the more people they employ out there.

There is an example on the other side, where technological improvement actually increases employment in industry. Sometimes it decreases it, sometimes increases it, but in those industries where it does decrease it, it means more employment in some other industry. You ask yourself, "What do I do with the 30 cents per bulb that I used to pay for my light bulb?" I don't know, but you spend it for something. You may buy more textiles, more handkerchiefs, you may go to the movies more often than you did before, but every penny that you save because of reduction in price you spend for something else.

You don't hoard it.

Again, the fact in the case in regard to this technological problem in 1870, which was the first year that the Government collected figures on gainfully employed people, 30.4 percent of our people were gainfully employed in the United States. That was in 1870, 30.4 percent. In 1930, 39.2 percent of our people were gainfully employed. We had risen from 1870 to 1930 from 32 percent gainfully employed to 39 percent gainfully employed, and during those 60 years we made perfectly terrific advances in technological efficiency. If there were anything to the idea that technological efficiency created permanent unemployment, nine-tenths of us ought to have been unemployed in 1930, and that is not true.

Mr. JUDD. From 1870 to 1930 the population increased at an even greater rate.

Mr. HASTINGS. Yes; but I am not talking about the increase in the number of employed but the percentage of total population employed.

Mr. JUDD. In 1930, 39 percent of our total population was gainfully employed?

Mr. HASTINGS. Yes; and in 1870 only 30 percent was gainfully employed. If labor saving machinery created permanent unemployment, that could not have happened, and it did not happen.

Mr. WHITTINGTON. Doctor, you made a very helpful statement here, but I want to get back to my question with respect to the pending bill. Supposing you drew both of these bills, and for the reasons that you have assigned have this as a substitute: Provide in this bill that with the information that is at his command the President shall keep Congress advised as to what the Bureau of Labor Statistics shows as to unemployment; provide specially for a commission composed of, say, nine eminent men, including economists, nonpartisan, to study this whole question and submit to the Congress and to the President their recommendations for additional legislation to prevent the recurrence of these periodical unemployment periods, and thirdly, to provide substantially, as we have in these two bills, for a congressional committee to survey the legislation that we have passed or that we may pass, so as to implement that and use it to prevent unemployment, what would you think of that as a substitute for these two bills?

Mr. HASTINGS. That is one of the finest suggestions I have heard.

Mr. WHITTINGTON. Let us stop then right here. Frankly, I don't think the Congress of the United States ought to take any definite action either on this bill or any other bill. I think they ought to do what you suggest.

Mr. RICH. Among your suggestions for correcting the evils that now exist, you spoke about a substitute for these two measures, and I think you said, among other things, that one of the things you would suggest doing would be to have all the banks in the Nation belong to the Federal Reserve System?

Mr. HASTINGS. That's right.

Mr. RICH. Would you compel them to belong to the Federal Reserve System?

Mr. HASTINGS. Yes; I would.

Mr. RICH. You don't have any fear, if that is followed, of Federal domination of our entire economic well-being?

Mr. HASTING. No.

Mr. RICH. You do not fear anything like a planned economy, that we have always feared in this country.

Mr. HASTINGS. No; for the same reason that if you go back to the National Bank Act of 1863, by that legislation we taxed out of existence State bank notes, did we not? We put a 10-percent tax on them. That meant we forbade all State banks to issue their State notes, their bank notes. That was clearly one of the most constructive steps that we ever took in money and banking. Why? Because when we left these State banks free to issue their own notes in any amount they saw fit we repeatedly had financial crises in this country.

Mr. RICH. That is all true, but I can't quite understand how you could think that the Federal Government would not dominate our entire economic life in this country, because every bank will belong to the Federal Reserve System.

Mr. HASTINGS. The Federal Reserve System merely says to the bank how much money they can lend. It don't tell the bank to whom they shall lend it. The bank would still have complete freedom to lend money to anybody they chose. The Federal Reserve Board simply

says to them: "We can't create too much money in this country because that creates an inflationary boom."

Mr. RICH. You do realize, do you not, though, that there is quite a difference of opinion on that?

Mr. HASTINGS. Yes; I know there is.

Mr. RICH. A great many people are not in agreement with you.

Mr. HASTINGS. Yes; but not among monetary economists. I don't know of a single monetary economist who doesn't think it is absolutely necessary to give the Federal Reserve Board the right to stop an inflationary boom of credit.

Mr. RICH. Do you think the past Chairman of the Federal Deposit Insurance Corporation would favor that?

Mr. HASTINGS. I don't know.

Mr. RICH. Mr. Crowley?

Mr. HASTINGS. I don't know.

Mr. RICH. Would you consider him any kind of an economist at all, monetary economist?

Mr. HASTINGS. Yes; an able businessman. It is rather embarrassing for me to say so, but the case was brought up of the Johnson & Johnson Co., their president, who wanted to raise minimum wages to 75 cents an hour. We have, unfortunately, a great many exceedingly able businessmen and financiers who really don't know anything about fundamental economics. I am sorry to say that. I say it sounds terribly high hat for an economic man to make that statement, but that is true. There are a great many men eminently successful in business and industry who have never studied economics, and they express some terribly half-baked ideas, in exactly the same way that plenty of us in the academic world may express some terribly half-baked ideas as to what the businessman ought to do, because we don't know anything about it.

Mr. RICH. You say the thing to do in times of depression is to keep prices down?

Mr. HASTINGS. Yes; get them down quick.

Mr. RICH. Did you have in mind that that should be done in a compulsory way?

Mr. HASTINGS. No; let the open market take care of it.

Mr. RICH. But merely block the people that try to keep prices up?

Mr. HASTINGS. Block monopolistic groups of capital that won't let prices go down, and block monopolistic groups of labor that won't let prices go down, and let it take care of itself. Wages are right when you have got full employment, and if you haven't got full employment there is something wrong with wages. Just the same way as any manufacturer, if he can't sell his output he has got the wrong price on his articles.

Mr. CHURCH. Will you square your answer now with your suggestion that we continue, at least temporarily, OPA for price control?

Mr. HASTINGS. I certainly would.

Mr. CHURCH. Will you answer his question there with that in mind? I don't quite justify your answer.

Mr. HASTINGS. As I tried to explain a moment ago, it is my warm recommendation that OPA be continued merely as a temporary expedient. I said I would get rid of OPA just as quick as we possibly can.

Mr. CHURCH. Then you would let prices take care of themselves?

Mr. HASTINGS. I would not have an OPA under any circumstances after we get rid of this present war situation. But we have got three to four times as much money in circulation and already in existence in this country as we should have normally, and that is going to blow the lid off prices unless we hold them. We should get rid of that extra money first.

Mr. JUDD. You would say hold it until we can get enough production to take the bulk of that excess purchasing power?

Mr. HASTINGS. Yes; and get the Federal Government to retire its floating debt of the commercial banks.

The CHAIRMAN. Thank you very much, Doctor.

Our next witness is Mr. James L. Donnelly, executive vice president of the Illinois Manufacturers' Association.

STATEMENT OF JAMES L. DONNELLY, EXECUTIVE VICE PRESIDENT, ILLINOIS MANUFACTURERS' ASSOCIATION

Mr. DONNELLY. Mr. Chairman and members of the committee, my statement is relatively short, so I will only impose on your time for a relatively brief period. My name is James O. Donnelly. I am the executive vice president of the Illinois Manufacturers' Association. I had the privilege of appearing on this measure when it was the subject of hearings before the Senate Banking and Currency Committee, on August 30, 1945. Since that date, the measure passed the Senate after certain amendments had been adopted by that body. However, these amendments, in my opinion, are unimportant. This bill, as amended, is a clear promise and assumption of responsibility by the Federal Government—affecting all of the assets and all of the credit of the United States and all of the people of the United States—to provide a Utopia, to provide useful, remunerative, regular full-time employment to every man, woman, and child in the United States able to work and seeking work.

Although the measure states that "it is the policy of the United States to foster free and competitive enterprise," the measure in reality proposes to substitute a government of "planned economy" based on Government spending. The measure purports to encourage private investment, yet its provisions carry the most frightening threat imaginable to investors—an unlimited public debt. The measure proposes to guarantee jobs for all, yet it strikes at the very heart of the system that has contributed more to human welfare and to human happiness than any other previous system. This bill proposes to put into the hands of Federal bureaucracy, once and for all, the final responsibility for the economic welfare of the people. I submit, Mr. Chairman, and members of the committee, that we have just concluded a successful war against governments that have operated on this theory, and I don't believe the people of this country, and particularly the returning soldiers, who have had a first-hand opportunity to see how Government control of everybody and everything operated abroad, want that kind of super-government at home.

Industry, of course, recognizes that a high level of employment, with ever-increasing standards of living, is essential to national welfare. Moreover, industry has a very selfish interest in the maintenance

of the highest possible level of employment. The successful operation of any industry is dependent upon jobs—upon the ability of people to earn money with which to buy the goods produced by industry.

Accordingly, if this measure were in fact, as its proponents assert, calculated to “foster free and competitive enterprise,” if the measure were in fact calculated to provide “useful, remunerative, regular, full-time employment” in free and competitive enterprise, the Illinois Manufacturers’ Association would be here urging the prompt adoption of the measure. However, we recognize that maximum employment can be assured only through maximum production. We are convinced that the so-called full employment measure would, in actual operation, retard production and decrease opportunities for jobs in private enterprise. It would be particularly harmful to small industries.

The Illinois Manufacturers’ Association comprises approximately 4,000 firms engaged in a large variety of production. While these firms include industries of all sizes—large, small and middle-sized—over 82 percent of the member firms of the association employ less than 100 persons. The situation in Illinois with respect to the relative size of manufacturing industries is typical of other manufacturing States. The great bulk of manufacturing firms are small. It is significant that during the 10-year period from 1929 through 1939, according to the Statistical Abstract of the United States, the number of manufacturing establishments in the United States employing 100 persons or less declined from 193,130 to 168,814. In other words, 24,316 small manufacturing firms employing 100 persons or less discontinued business during that 10-year period, or an average of over 2,400 small manufacturers going out of business each year.

During that period, more laws were enacted to regulate business firms and individuals, more Government bureaus and Government employees were added, more money was spent, and more debt was incurred by the Federal Government than in any corresponding period in the peacetime history of any Government since the beginning of time. During the 6-year period from 1932 through 1938 alone, the number of persons on the Federal Government pay roll was increased from 583,000 to 851,000—an increase of 47 percent. The Government debt increased during that same 6-year period from \$19,487,000,000 to \$42,020,000,000—an increase of approximately 110 percent. However, notwithstanding this period of experimentation with more laws, more taxes, more Government debt, more Government employees, and more bureaucracy, there were 8,786,000 unemployed in 1939, and, as indicated above, there were, during the 10-year period, over 2,400 casualties among small manufacturers.

Small manufacturing industry well recalls that experience with governmental “economic planning” and is accordingly alarmed over the implication in the so-called full employment bill. Many of these small manufacturing firms operate on a close margin and with limited finances and they are particularly susceptible to the disturbing effects of unwise and discriminatory legislation, unfair tax burdens, and endless governmental regulation and interference.

Under this proposal the President is required to draw up a periodic budget setting up (1) what will be needed in the way of production, investment, and expenditure for full employment, (2) current and

foreseeable trends, and (3) a planned economic program for assurance of continuing full employment, including comprehensive legislative recommendations.

The President in making his comprehensive estimates must gather facts regarding our 3,000,000 business units, 165,000 governmental units, 6,000,000 farmers, and 132,000,000 other individuals in this country not engaged in farming.

The practical difficulties involved in governmental estimates of economic trends is indicated by the fact that the Federal administration, in making the relatively simple forecasts of even their own expenditures, missed by 14 percent in 1935, by 30 percent in 1937, and by 27 percent in 1939.

The budget contemplated by this measure would undertake to forecast the number of investment dollars needed to provide jobs. The uncertain character of such undertaking is illustrated by the fact that in 1938 an investment of \$2,700 would produce a job, whereas \$10,000 was required to produce a job in 1944. When we consider the great number and the great variety of individuals and of business and governmental units, and when we consider the uncertainties inherent in all private and governmental activities, the number of jobs that will be available and the number of persons who will be seeking work, the impractical and hazardous nature of this periodic budget as a basis for a "planned economic program" for assuring full and continuous employment, involving the expenditure of vast and unpredictable sums of money, is entirely clear.

The President is required under this proposal to estimate the size of the labor force during the ensuing year. If he predicts a shortage of jobs and recommends a program of legislation as contemplated by this bill, confidence in the economic outlook will be impaired and decreased production with increased unemployment will result. If, on the other hand, he overestimates the number of jobs, an unhealthy boom might result and the political prestige of the President would suffer. Efforts to solve economic problems through governmental channels are inevitably influenced and frequently dominated by political considerations.

I submit, therefore, that the very foundation of this program is faulty; that the use of this periodic budget as a basis for a comprehensive "planned economic program," of the type contemplated by this measure, is unsound and hazardous. This circumstance in itself is, I believe, sufficient to warrant the rejection of this measure.

The real issue, however, presented by this bill is whether Congress should enact a law guaranteeing that hereafter and forever, every man, woman, and child who is able to work and seeking to work shall be provided with a useful, remunerative, regular, full-time job.

Such a guaranty would be a serious, solemn, inviolate promise by our Government to every man, woman, and child who is able to work and seeking work.

Certainly such a promise should not be made unless it is intended to be carried out and unless it is possible to carry it out and unless those who make that promise and guaranty know how it can and will be carried out, under any and all conditions that may arise.

Of course, such a guaranty by Government could not be carried out unless the Government undertook to manage and control everybody and everything.

The experience of various European countries has fully demonstrated that you cannot have full employment by Government guaranty and at the same time have a free society.

Efforts to assure full employment through governmental machinery would eventually and inevitably involve controls over spending, over distribution, and over consumption. The result would be a system of so-called planned economy, with lower standards of living, more governmental spending, increased taxes and increased Government debt, extension of the plague of Federal bureaucracy, an avalanche of legislative panaceas and bureaucratic mandates, impairment of confidence, decrease in private production, loss of opportunities for private employment, and eventually the destruction of economic and political freedom.

I submit therefore that the measure would be impractical in operation, that the administration of the measure would be honeycombed with political expediency, that the measure would result in a system of so-called planned economy and that the measure is accordingly undesirable from the standpoint of the general public, from the standpoint of the worker, and from the standpoint of the employer.

All concerned are apparently in accord that the only effective means of insuring maximum employment is through maximum production and distribution of goods and services through free competitive private enterprise. Our Federal Government has the power to encourage production or, conversely, it has the power to discourage production. We submit that the proper function of our Federal Government, particularly during the postwar period, is to find and foster the means of encouragement of free competitive private enterprise and locate and remove the causes of discouragement. We, of course, recognize the necessity of reasonable governmental regulation, but we believe that the position of the Government in its relation with business should essentially be that of an umpire acting to see that the game is fairly and squarely played. Governmental policies which we believe are essential to the maintenance of conditions which will create confidence, which will encourage private initiative and which will insure maximum production with accompanying maximum opportunities for employment, are the following:

1. The adoption of taxation policies that will provide incentives for production and for good management, and will encourage the investment of private funds in private enterprise.

2. Real and permanent reduction in governmental expenditures.

3. The adoption of a sound labor legislative program, which will free workers and management from the shackles of bureaucratic control, and which will permit men and women to work where they please and for whom they please without paying tribute to any person or organization for the right to work.

4. Reduction in the number of questionnaires and inquiries submitted to, and reports required from, industry, and simplification of the remaining questionnaires, inquiries, and reports.

5. Removal of wartime controls over industry.

6. Elimination of the bureaucratic plague by substantially reducing the number of governmental bureaus and pay-rollers, and by the adoption of definite legislative rules of conduct for the remaining bureaus.

7. Avoid imposing new, unwise, and unnecessary legislative enactments on industry and business.

8. Conformity to the principle of State and community control in governmental affairs which are essentially local in character.

9. Avoid Government competition with private enterprise.

10. Conformity to a definite and economically sound program for the termination of war contracts and the disposition of surplus Government property, plants, and facilities.

Private enterprise in this country converted to war production expeditiously and supplied the requirements of our armed forces promptly, fully, and efficiently, and also supplied a substantial proportion of the requirements of our Allies. With proper encouragement and cooperation from our Government, with removal of governmental shackles, private enterprise will convert to peacetime production with equal promptness and effectiveness, and will provide maximum peacetime production with accompanying maximum opportunities for employment. The members of the Illinois Manufacturers' Association earnestly hope that Congress will supply the type of cooperation and encouragement necessary to accomplish that objective.

The CHAIRMAN. Mr. Donnelly, are you a manufacturer yourself?

Mr. DONNELLY. I was in the manufacturing business for about 10 years, whereas, in the last 17 years I have been in my present assignment.

The CHAIRMAN. I am just wondering if any of the members of your organization, and of the manufacturers, can forecast today how many tractors, how many cars, how many John Deere plows, or how many of any commodity they are going to be able to sell to the public in November 1947.

Mr. DONNELLY. I would say that the likelihood of making accurate estimates of that kind is very remote.

The CHAIRMAN. Of course, the manufacturer of farm equipment has to take into consideration the possibility of a drought next year, which would affect the purchasing power of farmers.

Mr. DONNELLY. Yes.

The CHAIRMAN. Or depress prices.

Mr. DONNELLY. Yes, sir.

The CHAIRMAN. Or an oversupply or undersupply. So it is impossible for any manufacturer to forecast 10 months ahead how many customers he is going to have and what he is going to get for his product.

Mr. DONNELLY. I think so, Mr. Chairman.

The CHAIRMAN. Of course, don't you think it would be easier for a manufacturer to forecast accurately than it would for the President to undertake to forecast in January the amount of manufactured goods, consumer goods, that would be available to the public, and the amount of those goods that would be absorbed by the public in November 1947?

Mr. DONNELLY. I think you are quite right. I think the fact that the Government has made the margin of error in estimating its own expenditures, as indicated in my statement, is very good evidence of the practical difficulties that are involved in governmental estimates of about what will happen in the future.

The CHAIRMAN. Don't you also think that if the President in his

annual Budget message transmitted on the 1st of January to Congress were to predict a depression to begin in November 1946 that that prediction itself would accelerate the depression?

Mr. DONNELLY. I don't think there is any question about that.

The CHAIRMAN. Manufacturers would reduce their inventories, consumers would stop buying, they would tighten up on spending.

Mr. DONNELLY. I think that is quite right, and I think that fact was recognized by the testimony of Mr. Smith, Director of the Budget, before this committee.

The CHAIRMAN. I have some excerpts from his testimony here to that effect. Mr. Smith was requested to furnish this committee with an estimate of the number of unemployed for the year 1946, to give us some idea about what the problem was, and he transmitted a letter to us about 2 weeks ago, explaining the difficulty of ascertaining those figures, but he concluded by saying we would have 8,000,000 unemployed next year.

We have had other witnesses saying—and the bill itself says the public-works projects should be carried on by contract, which means that under existing Federal law every person employed on one of those public-works projects by a private contractor must be paid the prevailing wages in the community.

We have also had testimony before our committee that a minimum wage for at least a standard of living of a family of four was \$3,075 a year. Assuming that 8,000,000 people will be unemployed—I am talking about employables now—assuming that 8,000,000 people will be unemployed next year, without regard to the administrative cost, without regard to the materials that it takes to give these 8,000,000 people employment in Government public works, it would take over \$24,000,000,000 of the taxpayers' money just for their income alone.

Mr. DONNELLY. Yes, sir.

The CHAIRMAN. Of course, in construction jobs at high wages, your labor cost usually runs around 20 to 30 percent. Isn't that correct?

Mr. DONNELLY. That is right.

The CHAIRMAN. You have a tremendous amount of money to raise to buy the materials to give these people work. Do you think our economy can stand much more huge deficit spending without a total collapse of our economic structure?

Mr. DONNELLY. Certainly not. I think that is particularly true when you consider that our Federal debt at the present time is in excess of \$260,000,000,000 and rapidly increasing, approaching, we will say, \$300,000,000,000.

The CHAIRMAN. We have certain fixed obligations that we cannot shirk. We have obligations for compensation, hospitalization, rehabilitation, and pensions for dependents of veterans of this war and the last war that will run from three and a half to five billion dollars. We cannot avoid paying those obligations.

Mr. DONNELLY. And those commitments will no doubt increase materially.

The CHAIRMAN. They will increase up to 1985. We also have solemn obligations to pay the interest on our war bonds. I don't see how we are going to, in the foreseeable future, reduce the interest, because I don't see how we are going to retire any of those bonds. They are fixed obligations. We have other fixed commitments in our

Government functions that amount to around \$6,000,000,000 a year. If we are not like ostriches we should realize that we are going to have a huge postwar expenditure for our national defense.

About the lowest estimate for the Federal Budget that we can find, without any additional obligations, is around \$25,000,000,000 a year. Of course, we can pay \$25,000,000,000 a year. We can pay \$100,000,000,000 a year if we inflate the currency, but if we continue to finance job projects by borrowing money, some day we are going to run up against a debt-repudiation program in this country. Wouldn't that throw more people out of work than anything that could be done by your Government?

Mr. DONNELLY. I think you are quite right. I think that any man that goes into business, it doesn't make any difference what the business is, or any man who is going to expand his business has in mind two considerations: (1) Costs in the future, and (2) opportunity to make a reasonable profit. Those are the two things primarily motivating anybody that assumes to get into private enterprise, and clearly, an unlimited governmental debt of the kind you have just indicated is not designed to increase confidence or to indicate the likelihood of making a reasonable profit, because when you consider the tremendous tax burden that is going to be imposed upon taxpayers of all kinds in order to carry this debt, then I think you can see it is quite clear that the likelihood of any sort of a business, and particularly a small business, making a reasonable profit is somewhat remote.

The CHAIRMAN. Mr. Donnelly, isn't it fair to assert that one of the reasons that England today is in such dire straits is that for the past 15 or 20 years, over and above their wartime expenditures, that they could not get out of, that in peacetimes in their efforts to relieve unemployment, it was necessary to continue such heavy taxation on industry that industry could not replace machinery and expand plant facilities in order to give more jobs, that its man-hour production, man-day production in England compares so very unfavorably to the man-day production in this country that they lost practically all of their foreign trade in competition with the United States and Germany in the early thirties? Isn't that a fair statement?

Mr. DONNELLY. I am not too well informed about England, but I would say that from what I do know about the situation, that statement is entirely correct.

The CHAIRMAN. And if we continue the same system in this country of deficit spending, eventually somebody has to pay the taxes; eventually we will tax private enterprises of this country until they cannot give any jobs to people, and it will be necessary to take over and nationalize the railroads, the public utilities, the coal mines, just like they are doing in England, which in the end will result in a totalitarian form of government. Isn't that true?

Mr. DONNELLY. I think that is quite true. And I think you should keep in mind that conditions that have pertained since 1939, insofar as the profits of industry are concerned, have not been typical; we have been in a period of synthetic prosperity.

The CHAIRMAN. With borrowed money, to be paid by children that haven't yet been born.

Mr. DONNELLY. Yes, sir; and I think you can assume that the difficulties that industry will have to contend with in the future, so far

as making reasonable profits are concerned, are going to be much formidable than those that have existed in the last 6 years, say.

The CHAIRMAN. We have been led to believe by its proponents that if this bill becomes law there will be no more unemployment; it will restore confidence in industry; they will go ahead and manufacture because they know they are going to have a market. Do you, as a representative of the Manufacturers' Association, admit the truthfulness of that statement?

Mr. DONNELLY. No; I surely do not. I think a bill of this kind is likely to have the very opposite effect. In the first place, the enactment of a bill that obligates the United States Government to supply jobs to everybody who is able and willing to work, the very fact that that bill is enacted is going to destroy confidence, because the people who are supplying jobs know that that kind of guaranty by the United States is impracticable and can't be carried out, and the very fact that the Federal Government assumes that responsibility, irrespective of all the terminology of the bill, all of the qualifications of the kind put in by the Senate, irrespective of all that, the very fact that the Government assumes that responsibility serves notice upon the people who are now supplying jobs in private enterprise that at the very first depression in business the Government is going to run into demand after demand for economic programs contemplating all kinds of panaceas, a repetition of the very thing that we have heard so much about in recent years, and I maintain that that psychological condition in itself is enough to promote depression.

The CHAIRMAN. Once people get to eating out of the Federal trough it is pretty difficult to wean them away. Hasn't that been your observation?

Mr. DONNELLY. Yes.

The CHAIRMAN. If we tomorrow assure 8,000,000 people that they will have a job on the Federal pay roll at a decent standard of living, won't it be practically impossible for industry to secure the employees to manufacture goods and get the money that it takes to pay the taxes to provide those jobs for the people on the Federal pay roll?

Mr. DONNELLY. I think so. I think it will be a real delusion, one of the most unfortunate things, to give people that understanding, with full realization of the fact that the guaranty cannot be carried out in peacetime. People naturally, with the enactment of this line of law, would reach that conclusion. That is inescapable. Then if industry could not supply jobs, remunerative, regular, full-time employment, then these people would, through their various economic groups they are identified with, who have very strong legislative pressure, they would rush in and expect Congress to do the various things that this bill contemplates, to engage in the various legislative activities that this bill contemplates and has in mind.

The CHAIRMAN. The Government does have an interest in promoting our free enterprise. They can make available all the information on prospective foreign customers, on resources, and probable demand. They can do that now under present laws.

Mr. DONNELLY. They can make surveys and present the information under existing laws. That is our understanding, and we certainly do not want to be understood by our opposition to this that we are not in favor of the Government make law inquiries and doing every kind

of planning desirable. The thing about this bill that we are critical of is using that planning as a basis for a planned economic program to guarantee jobs. Any planning that the Government must engage in for the purpose of getting facts regarding our economy is, of course, desirable, but as you have indicated, we feel that that can be engaged in under existing laws without the need of new legislation.

The CHAIRMAN. Our present statistics, I understand, when they are finally compiled, are anywhere from 2 to 4 years old, and those figures are not so very valuable in forecasting what is going to happen in 1947, are they?

Mr. DONNELLY. I would not think so.

The CHAIRMAN. If we could overhaul our statistical organization and keep statistics current, those figures might be useful in assisting business and in assisting consumers. That is one improvement that could be made in our present statistical operations. I understand we have over 75 different groups in our Federal Government today gathering statistics and studying those statistics. If we could bring all those 75 into one organization where you, as a manufacturer, could write in and find out something about what was happening in Mexico or Canada, and the possibility of selling some manufactured goods in those countries, or even in Alabama or Illinois, that might be helpful to you.

Mr. DONNELLY. I think any activity of that kind will be constructive along the right lines.

The CHAIRMAN. But the danger of this bill, as I see it, and the whole import of the bill, is to assure every person a job at a decent wage to be paid by the Government. Of course, I am for feeding people when they are hungry. I don't believe in letting people starve. I think it is the Federal Government's obligation to do that. With our concentration of population such as we have in the Detroit and Chicago areas, probably the Government should feed those people, but if you are going to give them Federal jobs at \$3,000 a year, you certainly never will get rid of them.

Mr. DONNELLY. I think, Mr. Chairman, that this bill proceeds on the false premise that depressions are typical of our economy, whereas, as a matter of fact, in the 160 years, or 165 years, of our form of government there have only been three instances prior to the thirties when there were more than 3,000,000 persons unemployed, and the most outstanding of those was back in 1921, when I think there were 4,700,000 persons out of employment. I am not trying to justify either the three million or the four and a half million, but I do think that we ought to keep in mind that the conditions that pertained in the thirties are not typical of our economy, and I am very definitely of the opinion that by getting rid of encouragement from the Government there can be an avoidance, we can avoid a repetition of the conditions that existed in the thirties.

The CHAIRMAN. Well, in our pump-priming era we had a new approach, that like priming the pump you use the same water over and over until you get the pump to sucking water. That is not so bad, but when you have to keep pouring in water from the spring all the time, carrying it up from the spring to the pump to keep it primed, it finally takes about as much water out of the spring as you pump out of the well, doesn't it?

Mr. DONNELLY. That is right.

The CHAIRMAN. With the additional labor and administrative cost. That is all I have to ask.

Mr. CHURCH. Mr. Donnelly, in your statement, one of the suggestions you made, you say that the governmental policy will not encourage private industry commensurate to the number of elimination, among other things, of the pay rolls. I am wondering if you also realize that the bill would increase the pay rolls, not merely eliminate them, the numbers. I am wondering if you have thought of or estimated the increased numbers rather than the elimination of pay rolls, which you consider the stated object of this bill, its phraseology. You state that the bill is "to provide a utopia, to provide useful"—I am thinking of the word "useful." Who is going to find out how many pay-rollers are going to find out the "useful"? What is that "useful"? Who are "useful"? Then you say the bill is to provide "remunerative" employment. How many on the pay rolls are going to find out the measure of remuneration?

Then the employment is to be "regular." Keep in mind there are half-time employees, irregular employees, full-time employees. Keep in mind seasonal employees. With all those imponderables, undefined things of the bill in mind, then, when you keep in mind another feature that I think your statement omitted here, you talk about your organization comprising approximately 4,000 firms, 82 percent of whom employ less than 100 persons, and the great bulk of those manufacturing firms are small, of course you have in mind in our economy the desirability of the encouragement of new industries, new small industries. That would be in addition to these percentages you mention.

With that in mind, first, don't you think that this bill creates a fear in the mind of the person who would be likely to quit work and establish his own little business? That is one thing.

Another thing, you state here that the small manufacturing firms operate on a close margin. Well, the new beginner, the young fellow—or the old fellow—who quit a little business on the street during the war and took a war plant job and got wages, the men coming back from the service, we want to encourage those men to go into small businesses as much as we can, go into their own undertakings. We want no fear of legislation that will discourage them.

Then you speak of the President making a comprehensive estimate of economic trends, that he must gather facts regarding our 3,000,000 business units, 165,000 governmental units, 6,000,000 farmers, and 132,000,000 other individuals in this country not engaged in farming.

Can you envision the kind of governmental pay roll that would come about, increased pay rolls, because of that, in order to handle the facts, in order to function under a bill of this kind?

Mr. DONNELLY. Did you want me to answer that?

Mr. CHURCH. Yes. I am just wondering where this bill would run to. The title of the bill, H. R. 2202, says in part, not quoting all of it, "To establish full employment through"—underline "through"—"the Federal Government." To me it looks like a great chance here in this bill of establishing full employment in the Federal Government, creating immense pay rolls, increasing the pay rolls far and above what they have been—political pay rolls.

Mr. DONNELLY. I feel, of course, Mr. Church, that the apprehensions

that you have indicated are warranted. I pointed out here on page 3 of my statement that the number of Government employees—that, of course, excludes all these employees engaged in wartime activities—increased 47 percent, and that the Federal debt during that period increased over 110 percent. That increase in the number of persons on the Federal pay roll and the Government debt resulted from what I conceive to be a very limited undertaking in the field of planned economy, as compared with the kind of planned economy that is contemplated by this bill, so I think we are warranted in the assumption that there would be very great extension of what we call the “inflating” of Federal bureaucracy if this bill were enacted into law.

Mr. CHURCH. Veterans are returning to the country to go into business. Do you think anybody could find out how many men they would want to employ and whether or not they should be required to, well, register in some way, tabulate them in some way for statistical purposes; whether or not they could get to the work, whether or not the work is useful, and whether or not it would be remunerative, whether or not it would be regular, whether or not it would be full time? Lots of these small businesses start before they are even able to become members of any manufacturers' association, and they struggle along with very few employees, and it is that group of small businesses that made America. Take New York City, look up and down the street; or Chicago—look up and down Clark Street at the small businesses. They must get along and not be discouraged by the fear of legislation that Congress passes.

So, when you consider those possibilities, the number increases far and above the pay-rollers that are envisioned to be necessary to work out a program of this sort. That is all, Mr. Chairman.

Mr. HENRY. Mr. Donnelly, one of the important features of this legislation as proposed in H. R. 2202 is the feature of forecasting. Now, I take it you do not believe that it is feasible to base legislation on forecasts?

Mr. DONNELLY. No, I do not.

Mr. HENRY. I have asked a few of these questions from quite a number of witnesses, and I am curious to know just how you feel about it.

Mr. DONNELLY. I would like to supplement that answer by saying that you cannot base legislation on forecasts. I am speaking of the kind of legislative program that is contemplated by the type of forecasting that is contemplated by this bill. Obviously, all legislation to a certain degree has to be based on forecasting, but I am speaking of the kind of legislative program, the kind of forecasting that is embraced in this program here.

Mr. HENRY. I did not understand you to state—I think perhaps you dealt with this in your statement, but I may have missed it—what effect would a Presidential announcement that good times or bad times are just around the corner have on the volume of expenditures planned by private persons and business concerns prior to such an announcement?

Mr. DONNELLY. Of course, I think that the Presidential announcement that we were going to have a labor deficiency, as indicated by this bill, that there was going to be an army of unemployed that had to be provided for by stimulating private and public investment, as

indicated by this program—I say the very announcement of that fact might in itself very likely precipitate the very thing that this bill is trying to avoid.

The CHAIRMAN. Mr. Henry, will you yield at that point?

Mr. HENRY. Yes.

The CHAIRMAN. I think the President would make a very good witness on this particular question. He mentioned yesterday in Congress—he made the statement:

But it is impossible to foresee the future. It is difficult at any time to know exactly what our responsibilities will require in the way of force.

We can substitute “expenditures” for “force” there and that will apply to this bill.

Mr. DONNELLY. Yes, sir.

Mr. JUDD. If we can't predict how much force we need, we certainly can't predict expenditures. Because the greatest part of the expenditures will be to provide a force to defend the country.

The CHAIRMAN. Our labor force.

Mr. CHURCH. Mr. Donnelly, then wouldn't the President really, in order to get favorable results, have to announce just the opposite of what he thought the facts were? Isn't that about the way it sizes up?

Mr. DONNELLY. I have stated in my statement that efforts to solve economic problems through governmental channels are always influenced, and frequently dominated, by political considerations. Does that answer your question?

Mr. CHURCH. Yes.

Mr. JUDD. Not only that, but also by economic considerations. If he announces there is going to be a shortage of labor, that there will be full employment, everybody says, “I want to be sure and get my men,” and he hires more workers, thereby increasing the shortage. If the President says there is going to be a surplus of labor, people won't hire more men; they will wait till the cost goes down. Then they will hire them.

I have asked this question of a great many witnesses: Will not this bill force the President either to report something less than what he believes the situation to be, or to tell the whole truth and run the danger of accentuating that which he fears, whether inflation or deflation?

Mr. DONNELLY. I think your statement is absolutely true and correct. I think the result would be just as you have indicated.

Mr. HENRY. Do you believe it is possible for the Government to guarantee full employment and an opportunity to secure work for those desiring it and being able to work, without exercising the power to direct private enterprise, control local and State government expenditures, and assign workers to jobs?

Mr. DONNELLY. Mr. Chairman, I don't want to take up the time of the committee unduly, but I do want to make reference to the historical phases of this legislation. I think you have got to be realistic about this and keep in mind in considering the wisdom of legislation what has been the experience of other countries with similar types of philosophy, you might say. There was an effort made as far back as 1848 and prior to provide full employment by governmental guaranty.

The CHAIRMAN. You can go back to the days of the Romans and

find that. They gave employment to all returning soldiers of the Roman legions.

Mr. DONNELLY. And in January 1848 the records will show that France passed a so-called full-employment bill. The people came in from the country looking for jobs. The Government could not supply the jobs, and in June of that year France repealed that law.

We of course know that Germany provided full employment, and we know, of course, that Russia is making an effort to provide full employment. It is a matter of record that the Russian Constitution, the provision which I have here, guarantees full employment; therefore, if we want full employment of the kind they have in Germany and the kind they have in Russia, I say pass this bill, but I think the evidence, the experience of those countries, proves without question of doubt that you cannot have full employment by Government guaranty, you cannot provide jobs by Government guaranty, and still have a free society. So I think you have got to take your choice.

In order to bring the thing down a little closer home, you will find that the bill that is under consideration here has many things in common with the program that is embodied in Sir William Beveridge's book entitled "Full Employment in a Free Society."

Mr. CHURCH. A book by whom?

Mr. DONNELLY. Sir William Beveridge, entitled "Full Employment in a Free Society." I will quote just one paragraph from that book in answer to your question as to what might happen here with our economy, particularly private enterprise, if this legislation were enacted:

Full employment cannot be won and held without a great extension of the responsibilities and powers of the state, exercised through organs of the central government. No power less than that of the state can insure adequate total outlay at all times, or control, in the general interest, the location of industry and use of the land. To ask for full employment while objecting to these extensions of state activity is to will the end and refuse the means.

Full employment is, in fact, attainable while leaving the conduct of industry in the main to private enterprise, but—

and I want you to note this particularly—

but if, contrary to this view, it should be shown by experience or by argument that abolition of private property in the means of production was necessary for full employment, this abolition would have to be undertaken.

There must be reasonable continuity of economic policy in spite of changes due to free elections. The machinery of government, while responsive to general changes of opinion, must be resistant to lobbies; that is to say, organized sectional pressures. None of these freedoms can be exercised irresponsibly. Perpetual instability of economic and social policy would make full employment and any other social reforms futile or impossible.

Mr. HENRY. Then I take it your answer to my question is that you do not believe it is possible for the Government to guarantee full employment and an opportunity to secure work for those desiring and able to work, without exercising the power to direct private enterprise, to control local and State government expenditures, and assign workers to jobs?

Mr. DONNELLY. I do not believe it is.

Mr. CHURCH. You realize that the abolition of private property just referred to is a communistic and socialistic system, rather than our system in America?

Mr. DONNELLY. I think so.

Mr. JUDD. I would like to ask a question here. In the beginning a man employed another man because he wanted to increase his production. Isn't that right?

Mr. DONNELLY. Yes.

Mr. JUDD. That is, the job was the means to the end of greater production.

Mr. DONNELLY. Yes, sir.

Mr. JUDD. The basic philosophy of this bill is that the primary end is the job, and production is merely the means to achieve that end. That is, there has been a reversal whereby that which was originally, in our whole economic system down through the centuries, the end has now become the means.

Mr. DONNELLY. That is right.

Mr. JUDD. And that which was the means, the job, now becomes the end.

Mr. DONNELLY. Yes, sir.

Mr. JUDD. Do you think that that change is sound and also I would like your opinion as to whether it is desirable?

Mr. DONNELLY. I think the end should be a full measure of employment, with ever-rising standards of living. When you talk about "full employment" does that mean that the elderly people who want to retire shall retire and all the others shall be employed? If that contemplates "full employment," then I would say that is an un-humanitarian doctrine, because I think the objective of our economy should be to provide the fullest possible measure of employment with ever-increasing standards of living.

The CHAIRMAN. But the House bill provides for women that do not have full-time housekeeping jobs to be taken care of.

Mr. DONNELLY. Yes; that is true.

Mr. JUDD. That would require two jobs in such families—families that don't have children, or perhaps it will be suggested the Government should provide nurses to take care of the children so that mothers can be eligible for employment.

Mr. DONNELLY. That is right.

The CHAIRMAN. Do you have any further observations, Doctor?

Mr. DONNELLY. No, sir.

The CHAIRMAN. Thank you very much.

The committee will now adjourn.

(Whereupon, at 1:10 p. m., the committee adjourned until Thursday, October 25, 1945, at 10:30 a. m.)

FULL EMPLOYMENT ACT OF 1945

THURSDAY, OCTOBER 25, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES IN EXECUTIVE DEPARTMENTS,
Washington, D. C.

The committee met at 10:30 a. m., Hon. Carter Manasco (chairman) presiding.

Mr. COCHRAN. The committee will come to order. We will hear you now, Mr. LaFollette.

STATEMENT OF HON. CHARLES M. LAFOLLETTE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. LAFOLLETTE. Chairman Manasco and my colleagues on the committee, I appreciate this opportunity to present to you an analysis of H. R. 4181 as compared with H. R. 2202, both of which, and S. 380, are presently being considered by the committee. I have not made a page-by-page comparative analysis with S. 380, because the paging and the lineage is completely different whereas in preparing H. R. 4181 I preserved every word of H. R. 2202 but interposed and added material to it and certain sections of it, all as set out in the following analysis.

H. R. 4181 differs in five particulars from H. R. 2202. Each of these particulars consists of added matter, and nothing is stricken from H. R. 2202. I shall attempt to analyze these changes and additions which I have made and discuss them in the inverse order of their importance, as I see it.

1. Where H. R. 2202, in section 3, page 4, line 4, speaks only of "gross national product" and in line 8 of "full employment volume of production"; in H. R. 4181, I have added at page 4, line 16, the word "services" after the word "product" and the word "services" after the word "production" so that I speak of "gross national product and services" and "full employment volume of production and services."

I have done this because I think we are entering a new era of production potentiality, even without the anticipated increase which might arise from the control of atomic energy. Consequently, if people are to be employed and the standards of living of our lowest classes and our lower middle class are to be increased, much of the increase will come through additional services. As an example, it is growing increasingly impossible for while-collared people on incomes of \$5,000 a year to \$10,000 to employ full-time maids or nurses. Hence the "sitters." This is due to the increased wages offered to people who were formerly the source of domestic labor. Consequently, the possibility of trained personnel for what we used to call domestic services is a field which should expand rapidly in

a full-production era. That is to say, that the more our people are gainfully employed, the relatively higher the standards, the higher the hourly scale of domestic service—or service which we used to call domestic service—will rise. I can anticipate an era in which meals can be prepared and delivered hot, like ice and milk are delivered today, for families with both members of the family gainfully employed, which would be a skilled service employment. I can anticipate the day when people who come to take care of our children, either during the day or in the evening, at certain established hours, will be trained and even registered or bonded, in the new economy which we might face.

This being true, a higher percentage of our people than ever before can be engaged in services which can rise to the dignity of semiprofessional services. Consequently, it seemed to me that any national budget which attempted to measure the employment capacity of our private—as distinguished from Government employment—systems should even now begin to consider employment possibilities of service employment; and that certainly in the future a very great field of this type of employment would open up. This basically was my reason for adding the idea for specifically designating “services” as a part of the employment potentiality of the Nation which was capable of being measured in dollars and cents, just as the production potentialities of the Nation are capable of being measured.

If I need enlarge on that, what I am trying to say is I think part of the standard of living of the Nation is service as well as automobiles, ice boxes, and roads, and that we are going to come into an era where, if we would be tremendously efficient, we will, of necessity, not employ as many people in production, but we will still be able to employ people in dignified service which now we consider to be domestic service, and so forth, and that is part of the employment potentiality that I feel should be reckoned with when the Government begins to measure the potential private employment which is the yardstick that we set up in this legislation.

Mr. COCHRAN. It so happened that I had a gentleman in my office the other day making a suggestion in reference to the revenue bill, and he said that one way we could increase employment would be if the taxpayer was treated with fairness in reference to deducting certain services, just as you say. In other words, he said, if instead of employing two people, as he did this year, he might employ four or five, because he has some acreage around his home, if he was permitted to deduct that in connection with household expenses on his income tax.

That is the way he put that proposition up to me.

Mr. LAFOLLETTE. 2. Under the scheme of H. R. 2202, section 3 (b) provides for estimating the aggregate volume of prospective investment and expenditure by private enterprise, and it calls for the President to include in the national budget—page 5, lines 10 to 20—

such recommendations for legislation relating to such program—

calculated to encourage and increase non-Federal investment and expenditure—page 5, lines 3 to 10—

as he may deem desirable—

and so forth.

Although this language specifically says “such program may include, but need not be limited to” the specific items set out, I felt that among

the specific subjects of a Federal legislative program were "freight rates, industrial location and relocation, rural and urban housing," so in H. R. 4181, on page 6, line 6, I added the above words after the word "conditions."

My reason for making this a specific program was to call attention to the fact that I think any Government program calculated to create an America in which people can have better living conditions and come to a better understanding of each other and of the problems requires a diversification or spreading of industry. This, in turn, would require a reexamination of the freight structure so as to eliminate, as much as possible, all discrimination against any section of the country in the handling of finished manufactured articles, as well as raw materials. This should also include a program or a study of the location of industry and the relocation of industry, with possible Federal subsidies in the form of tax concessions or otherwise, designed not only to enable industries to relocate but to assist workers to move to new locations. In turn, this would involve the question of the location of roads, and the creation of superhighways also would be dependent to a large degree on this whole subject of location or relocation of industry. Although I did not specifically mention it, because Federal aid to road programs is an established policy, the question of the location of roads might well be determined by a previous study of the possible location or relocation of industry.

If we are considering national planning as a method of preserving the free enterprise system, it seemed to me that one of the problems was the intelligent use of Federal expenditures and one of the most intelligent, if seemed to me, is the decentralization of industrial activities. I am "hepped" on the idea that large cities are not conducive to the development of a high degree of either political or spiritual development in our people. Certainly, I am tired of voting Federal moneys for city slum clearance where you tear down a five-story slum and erect a one or two-story slum removable housing project, as a result of which the surplus population which cannot be housed in the new project simply moves into another area and creates a new slum.

Also, if labor is protected by a Fair Labor Standards Act and also by a Fair Employment Practices Act, labor has nothing to fear from a decentralization of industry. As a matter of fact, it has been my observation, from seeing what has happened in two small towns in my district which have been unionized for the first time in their history, that there is already springing up in those relatively small communities and in the farming communities around them, a better understanding of the labor movement and the labor problems than could possibly have been created in any other way than personal contact between the people who work in the factories, who either come from farms or had parents or relatives living on farms, and those members of the town or the rural community with whom they could talk and explain the reasons for unions and the benefits which they obtained from membership in unions. Consequently, I do not think that intelligent union leadership should fear decentralization of industry, as long as we have Federal laws affecting the conditions of employment which will serve to prevent the breaking down of wage standards.

3. I provide a new section in H. R. 4181, section 9, which begins at the bottom of page 13 and extends over to line 14 on page 15. This

provision is vastly misunderstood by those who have attacked it. In substance, I simply provide that the Congress direct the President to withhold two war plants from disposal as surplus plants until the Congress further directs him as to their disposal. Then I say as to one of these, he shall designate an agency of the Government to enter into negotiations for lease and operation by a workers' cooperative, and that he shall submit the terms of the lease to the Congress with the national budget so that the Congress gets a second opportunity to review what has been done, at which time it may accept, amend, or reject the proposed lease or sale arrangement. As to the other plant, I provide that the President again direct some agency of the Government to plan a method of Government operation for the production of consumer goods "under conditions which will constitute fair competition," and that this plan in turn shall be submitted with the national budget to the Congress for the purpose of enabling the Congress to accept, amend, or reject the whole proposal.

What I am trying to do, I think, is not only consistent with the democratic process, but essential to its maintenance, namely, to offer a pragmatic test of the discussions which are now prevalent in the United States as to the relative merits of the so-called free-enterprise system of production, and that of workers' cooperatives or Government operation. I think it is essential to the maintenance of the democratic process and system that there should be an opportunity given for all the people to see the result of a test of these competing arguments. It seems to me that certainly those who advocate the free-enterprise system should not be afraid of submitting it to a test under conditions which the Congress shall eventually fix and where only two pilot plants or test plants are permitted to operate in competition with it. Certainly any attempt by the Federal Government, either the executive branch, or the Congress, to gage accurately the possibilities of full employment would not be complete if the results of the operation of two pilot plants under the conditions which I have named were not available to them for study and comparison.

4. In the title of H. R. 4181 I have added the words "under fair labor employment standards and practices" after the word "employment" where it is found in the title of H. R. 2202. Where the word "employment" is found in section 2 (b) on page 2, line 5, of H. R. 2202, I have added the words "under fair labor employment standards and practices," so that H. R. 4181, section 2 (b), page 2, in lines 4 to 6, reads "and full-time employment under fair labor employment standards and practices."

Throughout the bill, H. R. 4181, I used the phrase "under fair labor-employment standards and practices, wherever I thought it necessary, and then I added a definition section in H. R. 4181, section 10, on pages 15, lines 16 to 26, where I defined that term.

Basically, all of these full-employment bills are nothing more than attempt to define and declare a national policy to provide means of implementing it. I recognize the soundness of the argument being made that it is most difficult to have fair employment without full employment, but I deny full employment of itself necessarily guarantees fair employment. Full employment will create a condition under which it might be easier to obtain fair employment, but in the absence of a requirement of fair employment as a condition to be set

out in the goal of full employment, we will have much the same condition that we had during the war, namely, that there will be jobs for all, but the Negroes will still carry the hod while the white men sit at the drawing board, and the Mexican still lay the railroad tracks or clean up around the yards of steel mills while the white men direct the operation of the railroads and the industrial enterprise where the Mexicans are employed. So it follows that if we are to have full democratic practices actively working in any full-employment era, we must specifically provide for fair employment practices, if we are to give full opportunity to the minorities in our country which we have heretofore denied them.

5. I, of course, am more deeply concerned with the means by which we are to bring about a democratic economy in America which will protect certain basic individual rights which we highly prize at the same time that we control or direct our economic opportunities so as to afford the people the highest standard of living which it is possible for us to give them. I fear that unless we are to overthrow our Government and destroy and set it aside, that we must operate as I insist we shall and can operate, under the framework of our Constitution including within that framework, the provisions and methods for amendments as they appear necessary. Therefore, I consider that the development of a means by which there can be greater liaison between the executive branch and the Congress and a more effective, fluid, and responsive operation of our Government is the most important question facing the country, even transcending questions of national well-being, and one which is least considered by all the so-called progressives or liberals who are concerned with ends but do not have the understanding of the need for means or the willingness to effect means to attain those ends consistent with basic, underlying American thinking.

It occurred to me, therefore, that H. R. 2202 was fundamentally weak in that it did not provide for a means by which the Congress could have a full opportunity to coordinate its activities with those of the Executive in planning the national budget as well as in passing on it after it was planned. H. R. 2202 provided for a joint committee on the national budget. However, it also provided that the executive branch of the Government should have a full year in preparing the budget; that it would submit it to the joint committee at the first of each session, in other words, early in January; and that then the joint committee would have to act upon the legislative recommendations contained in the Budget by March 1, or, within less than 60 days. To my way of thinking, this constituted the imposing of an impossible task upon the Congress and one which neither the proponents of the legislation, nor the Executive, were entitled to impose upon the Congress, particularly when we call to mind the preponderance of expert statisticians, economists, and other research brains available to the executive branch of the Government as against the meager staffing of the Congress.

I therefore provided in H. R. 4181, under section 4—which is the same section of H. R. 2202 which deals with the preparation of the national budget—that the Executive Office of the President should prepare the national budget in consultation “with the Joint Committee on the national budget hereafter established in section 5, or

any duly authorized subcommittee thereof which it may designate." The language is found in H. R. 4181 in section 4 (a), page 8, beginning at line 23 and extending over to line 2 on page 9; in H. R. 2202, following the word "establishments" in section 4 (a) page 8, line 3. I tried to declare in this amendment that this joint committee of the Congress should be consulted with by the executive branch during all steps of preparation of the budget, as well as after it was prepared.

Consistent with this principle and this thinking, I also made an addition in H. R. 4181, to section 7, as it appeared in H. R. 2202, by adding after the word "request" in line 23, on page 11 of H. R. 2202, the following language:

The President and heads of departments and establishments shall transmit and deliver copies of all communications, information, or data relating to the preparation of the national budget which shall pass between them to the joint committee or any duly authorized subcommittee thereof.

This language appears in H. R. 4181, on page 12, at line 24, after the word "request."

• By this language, I also attempt to make it clear that all data which is gathered by the executive branch of the Government and all thinking upon the subject of the national budget which is exchanged between the executive departments and agencies shall be openly and fully disclosed to the congressional joint committee, sitting all the time, as it is being developed and considered by the executive branch of the Government. Not only would this eliminate any possible charge of secret action or activities on the part of the executive branch, but it would enable the joint committee, if it was on its toes, as it should be, to be constantly advised of the program to be presented in the national budget and the situation of the national economy as disclosed by the data in the possession of the executive branch of the Government, so that the joint committee would not only have an opportunity to act intelligently upon the information available, but to make constructive suggestions in the preparation of the national budget.

To my mind, the Federal Government is a government designed to serve the people. The legislative branch has two functions—first, to lay down policies; and, second, to check upon the activities of the executive branch in order to see not only that policies are being carried out, but that the executive branch makes a full disclosure at all times of the conditions of the national economy, so that the legislative branch of the Government may function intelligently, quickly, and responsively to the needs of the people. The National Government should not be an instrumentality of national conflict, but it should be an instrumentality to serve the people. Political parties operating under this system can then address their attention to intelligently proposing alternative solutions to national problems based upon factual information, and not reducing their activities to picayune sniping on the one hand and dishonest covering up of facts or of executive mismanagement on the other. I think any student of American politics today, when he analyzes the situation will state that at the present time the condition which I last analyze is the one which is most prevalent.

I have a firm conviction that a democratic parliamentary system, such as ours, cannot solve the complex problems which confront our

people and world civilization today on any such basis. I, therefore, am of the opinion that the development of certain principles and policies of cooperation and intelligent checks and balances in the National Government is the most important problem which must currently be solved if we are to fulfill our American destiny, which I conceive to be the development of a system under which the fullest possible economic development can be presented and at the same time the dangers of static bureaucratic control avoided.

This has been a longer statement than I anticipated writing, but in fairness to myself and the thinking which motivated me in the preparation of H. R. 4181, could not be expressed adequately in any other way.

Now, there is no congressional immunity, so far as I am concerned, to the grilling, gentlemen.

Mr. COCHRAN. I would just like to ask you one question, Mr. LaFollette.

Mr. LaFOLLETTE. Yes.

Mr. COCHRAN. Where you speak of the relocation of industry, in connection with the defense plants that we already have. To carry out your suggestion would it require an amendment to the present Surplus Property Act?

Mr. LaFOLLETTE. Well, it well might. Let me say this; the structure of this legislation which we are considering, the original Patman bill, and the one I am talking to, actually calls for a consideration by the President of certain legislative policies, in the first instance, which are calculated to let the free-enterprise system absorb all of this employment. Then when he submits his budget, the legislation provides he shall make certain recommendations as to legislative enactments, and I include this in there. Some of those are competition, fiscal policy, and so forth. When he offers his recommendations for legislative enactment—it might well be that what you say is true—but the passage of this bill does not call for an immediate amendment. The whole legislative program calculated to carry out the national budget is likewise submitted with the budget under the provisions of this bill. So, while I would not be prepared to say it would not require an amendment, the fact that it may require an amendment subsequently is not a present objection to the proposals that I am making. Because it is simply of the same type as those presently in the bill.

Mr. COCHRAN. You indicated, as I followed you, that in the location of industry, or the relocation of industry, labor had nothing to fear.

Mr. LaFOLLETTE. I said as long as we had Federal laws maintaining fair labor standards and fair labor practices.

Mr. COCHRAN. That goes along with your relocation?

Mr. LaFOLLETTE. Exactly; and I specifically say so.

Mr. COCHRAN. I think that is extremely sound, for this reason: I have an outstanding example. My own city was considered and is considered the greatest shoe manufacturing center in the world. We have large shoe-manufacturing corporations there. It so happened that up in my district we had about 6 very large plants. The shoe manufacturers conceived the idea years ago of going out in the country and constructing small plants. Towns out in the country made all sorts of inducements to the corporations to locate there. As a result, the shoe industry constructed what you might term small shoe factories in comparison with the ones that were in St. Louis, in probably 50 or 75 towns in Missouri, Illinois, and some even in Indiana.

Mr. LAFOLLETTE. The Brown Shoe Co. went to Vincennes.

Mr. COCHRAN. When they went there, the shoes that were being made were being made with machines controlled by the United Shoe Machinery Co. We had skilled shoemakers who received an excellent wage in St. Louis. The truth of the matter is, they went out, for one reason, to get rid of paying high salaries. They would send a few skilled shoemakers out to these factories as they opened up, and they secured country labor, unorganized, to run the machines. You might say that the higher class of shoes was not made in these factories at the outset. As a result of the shoe corporations opening up these small factories it put the skilled shoe workers out of business in St. Louis, to a large extent. It has not been until recent years that there has been real organization among the shoe workers in the small towns where they constructed these factories. All of which is a clear indication to me that your suggestion is sound with reference to fair labor standards.

Mr. LAFOLLETTE. We have got to have fair labor standards along with it. That was one of the reasons we needed the Fair Labor Relations Act. It was a national problem affecting the national economy and the capacity to organize in isolated areas of the country should be protected by the Federal Government. That, along with fair labor standards and fair labor practices, would insure the people would live under better conditions. There are great arguments being made all the time, and some of the strongest are being advanced by the Soviet Union and by the American Communists, that a higher standard of living occurs where there is industrial effort in a locality, and that those countries that are purely agricultural, it is impossible for enough wealth to be created to bring about a higher standard of living. So that one of the boasts of the Soviet Union is that wherever they go they create local industry.

Mr. COCHRAN. They what?

Mr. LAFOLLETTE. They create local industry in the local area. Now, if that is a sound practice, then a democratic country can use democratic means to effect those same sound practices. In other words, we don't condone the things we disapprove of in connection with the operation of the Soviet Union, we will say, but I am not averse to copying what my worst enemy does if I think he does it well, provided I do it under a method which is suitable to my method of living. And I think one of the great problems in the South today is this question of getting some industry. But they must accept it under Federal standards of labor. Otherwise, they won't benefit from it.

Mr. COCHRAN. Have you any questions, Mr. Hoffman?

Mr. HOFFMAN. Yes. May I ask them now?

Mr. COCHRAN. Yes.

Mr. HOFFMAN. This bill provides for full employment at a remunerative wage?

Mr. LAFOLLETTE. Well, I know mine does specifically. I think that is one of the weaknesses in the Patman bill; it doesn't say anything about fair labor standards, let alone fair labor practices.

Mr. HOFFMAN. So that you would be under fair labor standards—

Mr. LAFOLLETTE. And practices.

Mr. HOFFMAN. You mean Government standards?

Mr. LAFOLLETTE. Exactly.

Mr. HOFFMAN. That provides for a minimum wage, does it not?

Mr. LAFOLLETTE. Yes.

Mr. HOFFMAN. Briefly, what is the reason for a minimum wage?

Mr. LAFOLLETTE. To me, the reason for a minimum wage is to provide, in a democratic economy, a sufficient purchasing power in the masses to consume the productivity of that economy.

Mr. HOFFMAN. I wonder if you really mean that. I had thought that the purpose of a minimum wage was to give to the worker sufficient money to provide him with—it's hard to say a decent home, because that term varies in localities—but with an average home, food, clothing, and schooling for his children.

Mr. LAFOLLETTE. I think all of that is included in the somewhat more inclusive definition that I used.

Mr. HOFFMAN. Someone must provide a job for these workers. That follows, doesn't it?

Mr. LAFOLLETTE. That is right.

Mr. HOFFMAN. This minimum wage doesn't make any provision for a less wage for the less skillful or less productive worker, does it?

Mr. LAFOLLETTE. No.

Mr. HOFFMAN. That is to say, under your theory, every man who works should have that minimum wage—I mean, every man who is an employee.

Mr. LAFOLLETTE. Let me answer that in my own way. I say that you have stated a fact, and the necessity for that is that in order to keep a sufficient purchasing power in this Nation we have to resort to that method, to place a minimum wage upon services, so that people can consume. Otherwise our system runs down, and we cannot consume what we make. It is one of those things, whether we like it or not, that I think we are confronted with.

Mr. HOFFMAN. Then it is your theory that every employee, regardless of his ability to render service, should be paid the minimum wage fixed by the Federal Government?

Mr. LAFOLLETTE. If you say employee, my answer to that is "yes." It is also my theory that if a person obviously cannot produce enough, a sufficient amount, to justify economically the wage that is being paid, that individual, of course, will not be employed in that industry. In other words, you can't force the employment of everyone—I quite agree with you. But I do say you are not going to sell the productivity of this country unless you have got people with buying power to consume it. And the people who ought to know that best are the people who own the plants that produce.

Mr. HOFFMAN. It is true, is it not, that in every factory, due either to the possession or lack of skill, the desire or lack of desire to work, and application to the job, there is a varying degree of productivity, and of usefulness, as between employees?

Mr. LAFOLLETTE. Right. But, of course, you don't fix a maximum wage; you fix a minimum.

Mr. HOFFMAN. Would you fix a ceiling on wages?

Mr. LAFOLLETTE. The only justification for fixing a ceiling on wages is the situation we have just been through, so that in times such as we have just been through, during a war, when the best part of our productivity is used for absolute waste, which is the conduct of war, so that there are not enough civilian goods to be purchased by the in-

creased wage or increased buying power. In that event an increased wage is inflationary, and under those circumstances we have to fix ceilings on wages. But in a free economy, generally, no. I mean, if we have a free economy.

Mr. HOFFMAN. Then, speaking generally, in normal peacetimes, you would not place a ceiling on wages?

Mr. LAFOLLETTE. No.

Mr. HOFFMAN. Well, if we are to place a floor under wages, fixing minimum wages by law, doesn't it follow that there should be a minimum profit guaranteed to the man who produces the jobs for the employees?

Mr. LAFOLLETTE. No; I think not, for the reason that I just gave; that if these employees are not capable of producing on the minimum wage, then obviously they will not be employed. I mean, there is nothing in the minimum wage that requires a man to employ everyone. It simply requires him to pay those he employs the minimum wage.

Mr. HOFFMAN. There is nothing in the law that requires him to employ a man who cannot render full value for the wage paid him?

Mr. LAFOLLETTE. That is right.

Mr. HOFFMAN. But under the full employment bill that man must have a job, and if I don't provide it the Federal Government takes my money, adds it to the money of the other taxpayers, and gives that man a job at the minimum wage, which we have agreed he cannot earn. Isn't that true?

Mr. LAFOLLETTE. That is right. The question is, how many of them are there? If there are two, there are two, but it doesn't follow that there isn't some employment not covered by the provision of the minimum wage that he cannot fill. There are certain things not covered by it, as I understand.

Mr. HOFFMAN. Then if your answer to my previous question is correct, the full employment bill, in effect, is a measure to extend charity to an employee who is not capable of earning the minimum wage, is it not?

Mr. LAFOLLETTE. I think that is right, although I wouldn't call it charity.

Mr. HOFFMAN. Well, aid.

Mr. LAFOLLETTE. All right, let's call it aid.

Mr. HOFFMAN. Let us call it help.

Mr. LAFOLLETTE. All right, and if that burden becomes too great, then unquestionably the Government would concentrate more on raising the standard of intelligence of those people and their capacity to produce, which would be an expenditure calculated to reduce those you have to assist with full employment.

Mr. HOFFMAN. You wouldn't, then, go to that thought which is contained in the words that—well every individual should shift for himself; that he should have an opportunity to accept a job, and that he should be paid in proportion to his productivity, and then, if it is necessary, aid should be extended to him by the Federal Government?

Mr. LAFOLLETTE. I think, in a sense, you are saying what is right, you are making a correct statement, but I think the full answer to that is this: That during the war—and we did it, of course, by a large amount of borrowing—but during the war we had a fixed purchasing agency, and that was the Federal Government. When the Federal

Government retires from the market, we have got to depend upon the capacity of the American people to buy, and the only way that I know to do that is to fix a minimum wage.

Mr. HOFFMAN. You mean by that, the only way to furnish a market is to place in the hands of the people generally the money with which to purchase?

Mr. LAFOLLETTE. The money to purchase, that is right. And we have got to have some reliance——

Mr. HOFFMAN. You don't go along with the theory that we should print the money and give it to them?

Mr. LAFOLLETTE. No; I don't think that would be a good thing, because value in the world is goods and services.

Mr. HOFFMAN. Coming back to the previous question about paying a man what he can earn, and supplementing his lack of industry by Federal aid. The Russian theory to which you referred, if I understand it correctly, is that work is a duty, and a matter of order for every able-bodied citizen, in accordance with the principle that if he doesn't work, neither shall he eat. And the principle applied there is, each according to his ability, and to each according to his work.

Mr. LAFOLLETTE. I don't question the accuracy of your statement, but that is not the theory to which I referred at all. Let's review what I said. I only said this: That the Russians were discovering, or claim that they have discovered that you raise the standard of living of people when you produce industrialization in areas where industrialization has not been. That is the one statement I made.

Mr. HOFFMAN. And that is the statement to which you subscribe?

Mr. LAFOLLETTE. That is a statement to which I subscribe, if it is true, and apparently it is developing to be true, and that is a statement to which many southern Congressmen and southern governors today are subscribing, when they are asking for some industrialization for the South. One of the best examples is the bill in the House by Brooks Hays, and the one by Senator Bankhead——

The CHAIRMAN. Senator Bailey.

Mr. LAFOLLETTE. Senator Bailey, I beg your pardon, neither of whom are Communists, saying that there must be some effort made to produce some industrial activity in the South as a part of the solution of the South's problem, and with whom I am in complete accord, and I am pretty much in accord with giving the South a fair deal on freight rates, if they haven't got one now. Whether they have or not, I don't know.

Mr. HOFFMAN. Subscribing, for the moment, to your theory that the standard of living in the industrial areas is better, what, in your mind, is included in that standard of living?

Mr. LAFOLLETTE. I have to qualify what I have to say, because I have already said it. I want a relocation and spreading out of industries. Now if that relocation results in a standard of living such as they have in New York, Detroit, Pittsburgh, St. Louis, where we have so many people that the business of living is so hard, I don't think that is good. But here is what I had in mind——

Mr. HOFFMAN. Right there; then when you said the standard of living is higher in the industrial areas, you didn't mean to include those cities you name?

Mr. LAFOLLETTE. Well, I think not, of necessity. I don't think

it is ideal. What I am trying to say to you is that when you say that industrialization in an area increases the standard of living, I simply mean this, that you take raw materials, you put men to work, and then you produce a product which has the value of the raw materials, plus the labor, and they get a return for that. Consequently, there is a higher purchasing power in that area and a higher standard of living.

Mr. HOFFMAN. In that area.

Mr. LAFOLLETTE. In that area.

Mr. HOFFMAN. Am I correct in saying that what you mean is that because of the higher wages paid, for example, in the smaller town to which the factory has been moved, or in which it has originated, the standard of living in that community is better than it was before?

Mr. LAFOLLETTE. Yes; and I could give a good many specific examples.

Mr. HOFFMAN. You don't mean, then, that the standard of living of the industrial workers in, for example, Detroit, or Pittsburgh, or Chicago, is higher than it is in the relatively small towns or cities of four to ten thousand population?

Mr. LAFOLLETTE. I would say, sir, that from my standpoint of what is a standard of living, that you have got a higher wage there, but even if I had a higher wage, myself, I would think that living would be more enjoyable in a town of fifteen to twenty thousand.

Mr. HOFFMAN. When you say more enjoyable, you mean you could get more of the things that the average human being wants than you could in the other places?

Mr. LAFOLLETTE. More of the things I want, and that I believe the average human being wants.

Mr. HOFFMAN. What was puzzling me was whether you thought, speaking generally, that even in the towns of four to fifteen or twenty thousand, where the wages were higher than they are in the rural areas, whether those people in those towns had a truly higher standard of living than the people in the country.

Mr. LAFOLLETTE. Yes; I think so, because they get the benefit of certain services, certain things that make living better, that we have not been able to give the people in the country.

Mr. HOFFMAN. For instance?

Mr. LAFOLLETTE. Inside plumbing, for one. My farmers work and sweat, and they come in at night and are covered with sweat, and if they want to take a bath they have to go out in the kitchen and run the kids out and pour some water into a washtub, and that doesn't make for a good standard of living, so far as I know. That is one of the jobs that I think is open to America. As long as we are trying to solve the problem of light and electricity in the farm home, if we could find a way to get plumbing facilities there, I think that would do more for the farmers of America than anything we could do, and also, at the same time, you produce equipment that would give people jobs.

Mr. HOFFMAN. While I don't advocate a return to some of the things I experienced, there were some compensations for some of those things we endured. For instance, while I lived with my parents in my old town of Constantine, while I have taken many a bath in a wooden tub, in the wintertime, and in a nearby horse trough, or the stream, in

the summertime, we always had a full cellar, with many varieties of apples, all sorts of dried and cured fruits and vegetables. We never failed to have plenty of ham in the smokehouse, and a big barrel of corned beef, some things the millionaire cannot buy sometimes with all his money, and we enjoyed life.

Mr. LaFOLLETTE. That's right.

Mr. HOFFMAN. I never saw my grandfather sit down without two or three kinds of pie for breakfast; we always had plenty of the things that actually were necessary. And, by the way, they never failed to go to church at least twice on Sundays. I live over here in the Methodist Building, next to the Supreme Court, and, while I have a fine bed there, the streetcars run past, raising a racket practically all night long. And sometimes when I want a piece of ham I can't get it, not only in wartime but in peacetime; and if I want an apple or a pear, even today, even with the exorbitant \$10,000 salary I get, it almost chokes me when I have to pay 8 or 10 cents, when I know out home they are rotting on the ground. So when you speak about your standard of living, it is not all a one-sided proposition.

Mr. LaFOLLETTE. That is right. But, on the other hand, if you are going to produce things, we have to have industry produce them. You can't support all of your population on the farm any longer.

Mr. HOFFMAN. That is right. Especially if some do not care to work at what they consider disagreeable tasks.

Mr. LaFOLLETTE. Whether we want to or not. I have a nostalgic feeling for many of the things that you mentioned, but, unfortunately, I don't think I can go back to them.

Mr. HOFFMAN. No; I don't want to, either, but, on the other hand, I can't see the advantage, or the fairness, rather, of forcing the payment of a minimum wage, regardless of ability, and then not guaranteeing to the man who is willing to invest the money which he has either earned or inherited, in creating a job a fair profit, or protect him against loss—assure him of a fair return in service rendered for the wage paid.

Mr. LaFOLLETTE. All right; I will give you the answer to that.

Mr. HOFFMAN. All right.

Mr. LaFOLLETTE. As I see it, the best guaranty that I know of that that man can have, even though his labor is not proficient, that he will be able to maintain that plant and sell his product, is again to create a maximum of buying power in the masses, so that they will consume his product, even if he has to charge a higher price. And if he doesn't have that—he may be able to produce his goods very efficiently—he may be able to produce a butter ladle, let us say, for 2 cents rather than for 5 cents, but if there are not enough people with money left, after they eat and put something over their heads and keep warm, that can buy that butter ladle, then that man will go out of business.

Mr. HOFFMAN. Your argument, then, all boils down to the proposition that if, by hook or crook, or willy-nilly, the masses of the people can get purchasing power, to wit, money, the industrialist is bound to succeed?

Mr. LaFOLLETTE. If they can get adequate purchasing power he has a better chance to succeed than he did, and all I have to point to is the era which began in 1929, when our machine ran down, because

it was just like a poker game. I never was fortunate enough to be that guy, but when one fellow gets all the money, the game is over, or else he gives some of it back. I was usually the guy trying to get some of it back.

Mr. COCHRAN. Will the gentleman yield?

Mr. HOFFMAN. Yes; though I haven't finished.

Mr. COCHRAN. As to the percentage of spending compared with income, the man with the minimum wage would spend everything he made, while the man who received a very large income would only spend a part of the money he received.

Mr. LAFOLLETTE. The masses spend more; there is no question about that.

Mr. HOFFMAN. Yes; but the Government gets a part of the larger income and he reinvests a part in the enterprise creating the jobs.

Mr. LAFOLLETTE. Oh, but wait a minute. He doesn't reinvest that in the enterprise that creates more jobs unless the man out here has got some money to buy the stuff he is going to create in that enterprise.

Mr. HOFFMAN. Oh, all right.

Mr. LAFOLLETTE. Yes; all right. I mean, that is as sound as what you are saying.

Mr. HOFFMAN. Well, get back to my question.

Mr. LAFOLLETTE. Sure.

Mr. HOFFMAN. Mr. Cochran referred to the man who gets the high income.

Mr. COCHRAN. About the same as yours.

Mr. HOFFMAN. Wait a minute. You don't want the laboring people to subsist on what I get, on the income I subsist on, do you?

Mr. COCHRAN. I know it is high up on your farm, if the apples and pears are rotting on the ground as you say.

Mr. HOFFMAN. Not this year, not the apples, just the pears.

Mr. COCHRAN. I think you should find a way with the other men in the same business that raise pears—

Mr. HOFFMAN. Apples.

Mr. COCHRAN. And apples—to get some kind of an industry that would dry those apples and pears and ship them into the cities, like they did when I was a kid.

Mr. HOFFMAN. Like Detroit?

Mr. COCHRAN. When I was a kid they made apple pie all the time out of dried apples, instead of the fresh apples.

Mr. HOFFMAN. I tried to get apples into Detroit, and they wanted me to pay \$50 for membership in the union for the fellow working on the farm, driving my truck. Then they wanted me to pay so much for a union man to unload my truck, and the fellow I sent down with the truck should have been the man to unload them. I sent my apples to Grand Rapids, and as a result of that practice the people of Detroit paid more for their apples than they would have if they had taken mine and others. And the trouble is I had to pay such high wages to the people for spraying, picking, and handling that I went in the hole in the last 2 years. That shows inefficiency on my part, I suppose.

Mr. COCHRAN. Well, I assume it does, if you say so.

Mr. HOFFMAN. Well, that is the theory of Mr. Carey, president of the International Electrical Workers, and now secretary-treasurer of the CIO. He said the workers should have a share in the profits,

and I asked him, "What about when they don't make any profits, should they share in the losses?" He said, "Oh, no; that was management's fault. If they had any sense they would have made a profit".

Now, going back to this man you mentioned a while ago. We were talking about the fellow putting his money back in.

Mr. LAFOLLETTE. Yes.

Mr. HOFFMAN. Or before that—the man that furnishes the job. You were saying that the man that operates the industry would always have a market if you got purchasing power in the hands of the average man.

Mr. LAFOLLETTE. I don't believe I said "always." I said it is one of the only known ways I know of by which he can have it.

Mr. HOFFMAN. But one point in your program is that the fellow who furnishes the job has to also contribute to the purchasing power of the purchaser, through taxation.

Mr. LAFOLLETTE. That is right; and the reason he does that is because he owns the physical properties out of which production comes and, as a part of his obligation of ownership, if he gets too much he has to pay that for the maintenance of the Government. It is certainly proper. A man who has a million dollars worth of plant and gets the benefit out of operating that plant and maintaining it under a free society, gets more than the fellow that has got his shirt tail and his household goods out of life, and he should pay a bigger tax.

Mr. HOFFMAN. Well, conceding all that, it still remains true, does it not, that the fellow who has the million is also contributing, through taxation, to the ability of the fellow who purchases the millionaire's products.

Mr. LAFOLLETTE. You must under this proposed legislation—

Mr. HOFFMAN. Under your theory here of life.

Mr. LAFOLLETTE. The only contribution that I know, in the sense that you use taxes, of course, is for the maintenance of the police department, the health department, and so forth; so he does that. But that is passed on in his accounting to the fellow that buys his product. There are very few people who pay taxes without including the taxes as a part of the cost of production. It is simply a convenient way in which we reach people by taxation.

Mr. HOFFMAN. However difficult it may be for you to do it, just assume that you are a millionaire.

Mr. LAFOLLETTE. It requires an effort.

Mr. HOFFMAN. Just assume that you are a millionaire. Under your argument you should be taxed because you own property. I concede that. There are all sorts of taxes, but in addition to the regular taxes which must inevitably fall upon those who have property for the carrying on of proper Government activities, you want to create a job for the man who cannot render—you want to create a job and pay a man a dollar, we will say, an hour, when the man can't render a dollar's worth of service, and you would also be paying your share of that dollar, so that he could purchase from you the things which you make; wouldn't you?

Mr. LAFOLLETTE. Yes. I don't know what else you can do about it. The only thing I know is, if we don't attempt to do something like that, if I had a million dollars and owned a plant, the time would come when the plant wouldn't be worth a million dollars. It would

be nothing but concrete and steel, and it would sell under the hammer for probably \$40,000.

Mr. HOFFMAN. You don't advocate a discontinuance of the improvement in production methods, do you?

Mr. LaFOLLETTE. Not at all.

Mr. HOFFMAN. Then you don't go along with the policy of some of the union organizations where they prohibit the use of delivered concrete, already mixed, do you?

Mr. LaFOLLETTE. No; I am against anything that interferes—anything, if we are going to have a free economy, that interferes with efficient production. But the difference between you and me is, you always want to see that union man that interferes with the handling of that concrete—which I am perfectly willing to see also—but you couldn't see with me the fact that the insurance monopoly was costing the people of America millions in money when we had the insurance bill up here. I am not going to hammer at the mistakes of the little man until we clear up some of the mistakes of the big man.

Mr. HOFFMAN. Now, first, you have no right to say what I believe or don't believe.

Mr. LaFOLLETTE. You didn't vote with me.

Mr. HOFFMAN. Just because I don't agree with you doesn't give you any license to define my philosophy, however inequitable you may think it may be.

Mr. LaFOLLETTE. All right; you define your own. I am entitled to draw those conclusions which are implicit from your statements and your conduct.

Mr. HOFFMAN. Nobody objects to that.

Mr. LaFOLLETTE. I think I drew a fair one.

Mr. HOFFMAN. And I would rather I didn't draw any conclusion from the way you vote.

Mr. LaFOLLETTE. Well, you may.

Mr. HOFFMAN. I don't care to. You believe, however, that we will get along all right if we make use of all the improvements we can make?

Mr. LaFOLLETTE. That is right. But let me qualify that.

Mr. HOFFMAN. Why do you want to qualify it?

Mr. LaFOLLETTE. I want to qualify it very definitely, and I will tell you why. If we are going to maintain that economy that I like, and this country that I like, we have got to figure out some way whereby people that work can get a bigger proportion of the savings of that machine than they have gotten, because all the saving cannot go to the man that owns the machine. Because if it does, again you put 10 or 15 men out of work and you leave 1 there. You will have 5, we will say, and it is a cinch that 5 can't do what 10 could do. It is just one of those things that has yet to be solved. I think it is a great mistake for the man who owns the machine to take all of the saving that is effected by the improved device. Just what an accurate and best method to pass that down to the people is I don't know.

Mr. HOFFMAN. If a man invents a machine whereby 9 men out of 10 are displaced—

Mr. LaFOLLETTE. That is right.

Mr. HOFFMAN. That man does contribute, however, to the welfare of the nine and all the others who are alive, does he not?

Mr. LAFOLLETTE. He contributes to their welfare provided that there is sufficient purchasing power fixed for those people so that they can get the benefit of the saving, and there is no reason because a man invents a machine or because a man owns a plant and buys a machine, in my opinion, why he is entitled to all of the savings, as part of earnings or capital surplus, as against the man who works and is displaced. That is my thought.

Mr. HOFFMAN. Coming to a concrete example, which I always think gives us a better understanding: My dad made wagons by hand, and I had a job in that shop. Along came the Studebaker Co. of South Bend. They made wagons, buggies, bobsleds, and cutters. Then the automobile came along. Now, under your theory I could say that Henry Ford put my daddy and me out of business, and they put the Studebaker Co. down in South Bend out of the business of making wagons, and so forth. Do you think that Ford should have shared part of what he made with dad and me, and with the Studebaker Co.?

Mr. LAFOLLETTE. Not, of course, directly. What I am trying to say to you is this: That wealth is the production of goods, and I have no quarrel with any new invention that would permit us to have all the automobiles we wanted in the world with one operation, 1 day a year. But I do quarrel with the theory that the man who owned that machine should have all the benefit from it.

Mr. HOFFMAN. Then what would we do? Would we limit profits?

Mr. LAFOLLETTE. No; I wouldn't limit profits at all. But, of necessity, until these other men had something, until they could buy that automobile—let us get to the concrete example that you are talking about. We will suppose that in the development of productivity and the development of the method of stamping out an automobile and assembling, 1 month's work by all the people working in the automobile industry could produce all the automobiles we could consume in the United States. Now, I say to you that unless we devise a method whereby the people who were displaced either could get a portion of that wealth whereby for 11 months they could continue to buy the pears that rot on your farm and the products of the cotton farmer, or the products of someone else, then this economy is going to fail, because all the savings of that 11 months' labor cannot possibly go to the capitalist and keep the free economy going. On that I stand absolutely firm.

Mr. HOFFMAN. All right. Following out your automobile proposition, it is a matter of record that automobile prices dropped, and automobiles became better, and that the man-hours used in making automobiles increased because of the new devices that were put on them, so that more people were given employment in spite of the labor-saving devices, and the employees received more per hour for their work.

Mr. LAFOLLETTE. If that can be done, yes, but there is an obligation—not only an obligation, but a necessity, to keep buying power in that man who is displaced, or your economy runs down as it did in 1929. And I can't get away from it, whether I want to get away from it or not.

Mr. HOFFMAN. Well, isn't it true that all through history, because of continued improvement; as, for example, when they went from the

crooked stick to the plow, and so on, there have always been people put out of employment, but always there have been new avenues opened up for employment?

Mr. LAFOLLETTE. No question about that, but it has also been true that during those stages there were cycles, until they were again employed, when the masses of people suffered until that readjustment came about. And that is one of the things government has to avoid if it is going to remain a government.

Mr. HOFFMAN. That is one of the things it has to prevent?

Mr. LAFOLLETTE. If it is possible.

Mr. HOFFMAN. I agree with you. We should always strive for advancement, but we have always had suffering on the part of some and until the millennium I fear all will not be satisfied or happy. Going back to your illustration, here is a brick machine that makes 40,000 bricks per hour. It formerly took 1 man 8 hours to make 4,500 bricks. Under your theory, if I understand you, the man who built that brick-making machine, or who used it, is under some obligation to take care of, or contribute to, the welfare of all of those who were thrown out of employment when the 4,500 brick become 40,000?

Mr. LAFOLLETTE. Under my theory, that man, along with the others who are part of the operating economy within the geographical area known as the United States, has an obligation under Government legislation and direction to either cooperate or, under legislative action, through taxes, to prevent the suffering that is bound to come to those people until there is a readjustment. I can't get away from it, and I won't retreat on it.

Mr. HOFFMAN. Do you give any consideration or credit to the fact that when this machine made 40,000 brick per hour, that it lessened the cost of the brick and enabled the others who were previously employed making brick and millions more to get their buildings and factories cheaper?

Mr. LAFOLLETTE. Exactly right. But I also say that in the interim period it is the obligation of Government to take care of those individuals until that condition develops where they find employment.

Mr. HOFFMAN. What it amounts to is this: You would extend not only to the helpless and the needy, and those who are unable to care for themselves—you would, let us say, throw out the life line to those who cannot bear their fair share of the burden because at the moment their jobs were ended, and add the cost of that to the others who were working and producing and not only caring for themselves, but adding a little surplus?

Mr. LAFOLLETTE. You can draw your own conclusion. I draw a diametrically opposite one from the same statement of fact.

Mr. HOFFMAN. I don't know what your answer is to the last question.

Mr. LAFOLLETTE. The one you just asked?

Mr. HOFFMAN. Yes.

Mr. LAFOLLETTE. I again say to you that I draw a completely opposite conclusion—

Mr. HOFFMAN. I don't draw any conclusion. I have asked a question.

Mr. LAFOLLETTE. You have stated some facts and drawn a conclusion. I said that under my theory I drew a directly opposite con-

clusion. That is just a clever device on your part to put words in my mouth. You see, I have cross-examined witnesses, too.

Mr. HOFFMAN. I am trying to be courteous—

Mr. LAFOLLETTE. You are being awfully courteous, and I am enjoying it very much, and I am trying to be courteous, but I am not going to let you put your answer in my mouth.

Mr. HOFFMAN. I don't want you to. It wouldn't be any good to me. I know my answer.

Mr. LAFOLLETTE. All right.

Mr. HOFFMAN. Read my last question.

(Whereupon Mr. Hoffman's preceding question was read by the reporter.)

Mr. LAFOLLETTE. So far as I am concerned, there is an obligation to provide a reasonable standard of living for those people who are put out of employment. If, after a reasonable time, they don't desire to work, of course, they can't expect to have a standard of living comparable to those who will. Now, whether we are going to reach the point where we are going to put in jail the man who won't work, which I am not prepared to reach, or whether we are simply going to say, "All right, brother; you have gone on for a certain length of time now, and you don't want to go on any more. You can shift for yourself." But in those who won't, I am not going to include the people who are asking for what they consider to be a fair return on their labor. I am only going to include those who simply don't want to work at all, and those are the people who hang around the poolrooms and barrooms, and so forth.

Mr. HOFFMAN. One more question. Do you go so far—and I am not expressing any opinion about this—as to say that a calf whose mother died, and which has not yet been weaned, and which must be fed by the hired man's finger in the milk bucket—that that calf that should be weaned should still be given another mother, or the milk pail and the farmer's finger? That is an illustration that anybody who has ever lived on a farm can understand.

Mr. LAFOLLETTE. That is very homely and very pat, but, of course, the qualification to that is, When should the calf have been weaned? If you are going to apply that analogy to economics, what is the calf that should have been weaned? You and I might disagree about when a calf ought to be weaned.

Mr. HOFFMAN. You wouldn't keep that calf with its head in a pail and the hired man's finger in its mouth if it was a heifer calf, until it had its first calf, or if it was a bull calf, until it had gone to market and somebody tried eating it.

Mr. LAFOLLETTE. No; I wouldn't go that far, but I wouldn't be too damned quick to cut the calf off so that I lost the calf at the same time. I am not going to cut the people down until I lose the people. It is a question of degree.

Mr. HOFFMAN. You might keep him, on that theory, until there wasn't any more milk in the farmer's pail. I am in favor of turning a calf out to pasture as soon as he gets good teeth and can eat grass.

Mr. LAFOLLETTE. Then you get a grass-fed calf and it doesn't bring much on the market. So there you are.

Mr. HOFFMAN. And if you keep the calf on the cow or the milk pail the cow goes dry or the farmer loses his milk check.

Mr. CHURCH. How far would you go, would you extend the minimum wage to apply to all persons? If not, how far?

Mr. LaFOLLETTE. Listen; I am going to say this to you. So far as I am concerned, this is a hearing on the full employment bill. If I were a member of the Labor Committee, I would answer you fairly on the minimum wage. What I said about the minimum wage is, as far as I know, what the present bill calls for. When we talk about how it should be extended and to what type of employees, I don't want to get into a discussion of it. Is that what you mean by extend? Otherwise, I say frankly to you, you have got to have a minimum wage if you are going to keep this economy going, because you can't sell ice boxes to people who can't keep a shirt on their back.

Mr. CHURCH. Do you think of a single industry that you would extend that act to?

Mr. LaFOLLETTE. What do you mean extend it to a single industry. You mean ones to which it is not extended now? I told you I didn't know anything about the provisions of the act. If you mean would I extend the provisions of the minimum wage, the answer is "Yes."

Mr. CHURCH. Upward from the present wage amounts?

Mr. LaFOLLETTE. That is right.

Mr. CHURCH. And would you extend it to additional persons?

Mr. LaFOLLETTE. I have answered that twice, and my answer is I don't know. If I were on the Labor Committee, I would give you a damned good answer, but I am not.

Mr. CHURCH. You don't want to enlighten us on that? I think that is very important here.

Mr. LaFOLLETTE. I am glad you do.

Mr. CHURCH. If you are assuming that attitude, I won't ask you any more questions.

Mr. LaFOLLETTE. I don't think you better. I never get much sense out of your questions anyway, and if you are going to be adroit with me, I am twice as smart as you are.

(Discussion off the record.)

The CHAIRMAN. Thank you, Mr. LaFollette. I didn't get to hear all of your paper and the questions that were asked of you, so I won't ask any.

The next witness is Mr. W. R. Ogg, director of the Washington office of the American Farm Bureau Federation.

STATEMENT OF W. R. OGG, DIRECTOR, WASHINGTON OFFICE, FARM BUREAU FEDERATION

Mr. Ogg. Mr. Chairman, and members of the committee, the president of our organization, Mr. O'Neill, regrets very much he was unable to be here this morning. There were several very important committee meetings in Chicago this week which were arranged several weeks ago, which he necessarily had to attend, and for that reason he was unable to be here in person, and he asked me to present the following statement on his behalf to the committee.

The CHAIRMAN. Very well.

(The statement referred to is as follows:)

STATEMENT OF EDWARD A. O'NEAL, PRESIDENT, AMERICAN FARM BUREAU FEDERATION

The American Farm Bureau Federation, of which I am president, is opposed to H. R. 2232, the so-called Full Employment Act of 1945. The American Farm Bureau Federation represents approximately \$33,000 farm families in 45 States, or the equivalent of approximately 3½ million farm people. The issues involved in this legislation are not confined to economics, but strike at the very foundation of our way of life and philosophy of government.

While opposing this bill I would like to make it perfectly clear that the American farmer is very much interested in achieving the objective of the bill—full employment. Farmers do, however, object to the governmental commitments and to the methods being prescribed in this legislation and believe that the goals of maximum employment can be more nearly attained by other methods. No one knows better than the American farmer the importance of high level of employment to the welfare of our Nation. It was during the periods of mass unemployment, when farm products were so cheap that it did not pay to harvest them, that thousands of farmers lost their farms and their life savings.

We feel, however, that the approach being taken in this legislation is a negative approach. The American farmers are not willing to try to purchase full employment by selling our birthright of freedom for a totalitarian regime. We want full employment plus an ever-increasing standard of living, this to be accompanied by maintaining the freedom of the individual. The approach used in this legislation is patterned too closely after the policies used by some other nations of the world where the rights of the individual are no longer respected.

On August 30, 1945, our board of directors, which is comprised of 22 agricultural leaders from all over the United States, adopted the following statement concerning this legislation:

"The American farmer recognizes that a high level of employment is essential to the national well-being. The American farmer believes, however, that it is not the responsibility of government to assure every individual a full-time job at competitive levels of pay, at all times, under all circumstances, and to assume the obligation of unlimited expenditures to carry out this commitment. It is the responsibility of government to help create an environment in which the private citizens of the Nation can develop opportunities which will not only provide jobs but will also afford the worker an increasing standard of living.

"The American Farm Bureau Federation, while favoring the goal of full employment, is strongly opposed to the bill H. R. 2202, the Full Employment Act of 1945, in its present form, because it believes that this legislation will discourage rather than help our economy during the critical reconversion period.

"The American Farm Bureau Federation has supported in the past and will again support a well-coordinated program for useful public works designed to alleviate unemployment.

"The American farmer, like American labor, has a vital stake in full employment, but both the farmer and the laborer have an even greater stake in our democratic way of life, for which many have died upon the field of battle. We believe that the program as proposed in this bill will eventually mean the Government absorbing more and more functions and displacing the creative initiative of the individual, which has made this Nation great.

"We believe that the maximum employment can best be attained and the national welfare most effectively promoted by adherence to the following basic objectives:

"(1) Industry, labor, agriculture, and other groups should assume the primary responsibility for cooperation in production and employment, and to maintain an equitable balance in purchasing power among all groups.

"(2) Reconversion from war to peace must be handled in an efficient, prompt, and orderly manner so as to provide the maximum reemployment of veterans and war workers.

"(3) Unemployment compensation programs should be supplemented where necessary to meet the essential needs of workers during reconversion period.

"(4) A useful, well-planned, and coordinated public-works program should be carried out, if needed to alleviate unemployment.

"(5) A sound fiscal and monetary policy should be adopted to bring greater stability to our economy and to our price level.

"(6) Taxes should be adjusted in such a manner as to facilitate reconversion and encourage the highest possible level of employment and production.

"(7) Every practical effort must be made to encourage an increased volume of foreign trade. An international conference for this purpose should be called in the immediate future.

"(8) The international monetary plans must be developed on a sound basis and in such a manner as to promote domestic and foreign business.

"(9) A vigorous antimonopoly program should be carried out in order to promote and provide an opportunity for our competitive economy to function effectively.

"(10) An aggressive program for the promotion and development of small business is also essential.

"The American Farm Bureau Federation pledges its cooperation with labor, industry, other groups, and government in developing and carrying out sound, practical, and effective measures to attain these fundamental objectives."

The above statement speaks for itself and presents the attitude of our organization in a very clear and forceful manner. We simply believe that there is a more constructive way to obtain a high level of employment.

Possibilities of private enterprise.—Too many people in this Nation have lost faith in the ability of free enterprise to provide jobs, and have accepted the defeatist attitude that unemployment is inevitable—therefore the Government must provide jobs. Unemployment is not a common economic phenomenon. Records indicate that from 1900 up to 1930 we did not have a serious unemployment problem, with the exception of a short period following World War I (pp. 1 and 2 of the statistical appendix). Chronic unemployment was with us only during the thirties and, judging from the facts, we did not learn to solve this problem successfully by Government spending and by public works. It is clear that if we are going to solve the unemployment problem, it will have to be done by private individuals offering opportunities for employment and advancement.

There are many indications that we are on the verge of a postwar period of industrial prosperity. The war has created many shortages that it will take a long time to satisfy. Consumers have billions of dollars of liquid savings. We have the greatest productive capacity in history, the most urgent needs, and the money with which to fulfill these needs. We also have on our statute books legislation and means to handle most temporary reconversion adjustments. Why then should we embark upon a program such as is implied in this legislation which is likely to endanger rather than to encourage this period of prosperity?

Surely we have learned enough to avoid the mistakes we made during the twenties, and to prevent a repetition of the catastrophe of the thirties, once we have obtained a high level of peacetime prosperity. We know that if we are going to sell on foreign markets we must buy goods in return. We know that we cannot have rampant speculation without disastrous collapses. We know that there must be an equitable distribution of purchasing power, and parity among groups; that agriculture cannot be permanently depressed without affecting the rest of the economy. Surely out of our troubles of the past two decades we have learned enough to avoid some of our major mistakes, without placing the responsibility for full employment in the lap of the Federal Government.

Responsibility of Government to furnish jobs.—This legislation states that "all Americans able to work and seeking work have the right of useful, remunerative, regular, full-time employment, and it is the policy of the United States to assure the existence at all times of sufficient employment opportunities to enable all Americans who have finished their schooling and do not have full-time housekeeping responsibilities freely to exercise this right." The bill further states "to the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investments and expenditures as may be needed to assure continuing full employment." While the bill states that it is the responsibility of Government to provide jobs at remunerative wages, and also to maintain full employment, it does not contain any clear-cut definition of either remunerative wages or full employment.

We do not believe that it is the responsibility of the Federal Government to provide every individual with an opportunity to work at regular, remunerative, full-time employment. We believe it is the responsibility of the Federal Government to create an environment in which private individuals can so conduct their businesses as to afford not only opportunities for employment but also opportunities for advancement of the individual. We feel that Government does have an obligation to see that all of its worthy citizens obtain the minimum

essentials of life. There is a wide difference, however, in a governmental policy which provides for the minimum essentials and one which provides for full-time, regular, remunerative jobs.

History indicates that once an action program is set up the tendency is not to wait for slower but more normal adjustments to take place. If this bill is passed, there is danger that when a little unemployment appears the Government will move directly into action rather than allow a sufficient time to elapse for private enterprise to absorb the workers. This would tend to discourage, not help, private enterprise, especially since we have unemployment compensation to take care of short periods of unemployment.

Deficit financing.—This bill implies that the Government will embark upon a program of deficit financing in order to provide full employment. Before embarking upon such a program, we had better be sure that deficit financing is the way to cure our economic ills. In my opinion deficit financing at certain times, under certain conditions, is justified, but deficit financing is far from being a proven theory by which we can provide full employment by any reasonable program of Government spending.

On pages 3 and 4 of the statistical appendix, the national income and index of industrial production are compared with the surpluses or deficits of the Federal Government since 1910. Each year from 1921 through 1930 the Federal Government had a surplus which was used to retire the national debt. Between 1921 and 1929 we had a rising volume of industrial production and likewise an increase in our national income. Each year since 1930 the expenditures of the Federal Government have exceeded its income. Industrial production increased rather rapidly between 1933 and 1937, and dropped sharply in 1938. Likewise, Federal deficits were large during this period of increase, but dropped rather rapidly in 1937 and 1938. Some argue that the reason we had the drop in industrial production in 1938 was that the Federal Government reduced its rate of public expenditures too rapidly. It seems that others could argue with equal validity that this experience proves that once Federal expenditures are undertaken in a peacetime economy they become a part of our economy and we cannot get along without them. It appears from the available data that we do not have clear-cut, dependable evidence that deficit financing on any reasonable scale is the proven solution to our unemployment problem. It is dangerous business to commit our Government to such a program when there is so little conclusive evidence to prove or to disprove its soundness.

Rates of pay on public works.—The bill states that all work carried on by the Government should be under contracts awarded in accordance with applicable laws, except under certain conditions. Likewise the bill mandates employment at remunerative wages. It is our feeling that great care must be exercised in public-works programs to be sure they will not discourage employment in private enterprises. If the Government is going to pay prevailing wage rates and guarantee the worker a full-time job, what is there to stop more and more workers from seeking employment offered by the Government, and having less and less interest in employment by private enterprise? Under these conditions why should any worker incur the risk of private employment? We feel that wage rates on relief work should be such as to encourage the individual to seek employment elsewhere, rather than to remain on the public pay roll.

The farmers of the Nation resent not being able to hire help because relief projects in the community can outbid them for labor. In the 1930's the average hourly wage rate for common labor in road building was about two and one-half times higher than the wage rate for farm laborers. The disparity between farm wage rates and wages of workers in manufacturing industries was even greater (p. 5 of the statistical appendix). There are studies to show that during part of this period farm laborers in some cases received more than the farm operators. If the Government is going to foster a program of public works, in which prevailing wage rates are paid and jobs guaranteed, then it is apparent that the farmer will not be able to compete unless materially higher farm prices and farm incomes are maintained. Maintaining prevailing wage rates on relief projects will greatly hamper the movement of population between industries and make it more and more difficult for private enterprise to carry on.

After all, why should the farmer farm if his government will guarantee him a full-time, regular job at remunerative wages? Certainly his income has not been favorable compared with other segments of our society (p. 6 of the statistical appendix). The farmer knows that hard, constructive work and the ingenuity of the individual have made this Nation great, and he can foresee no utopia through Government domination of our economy.

Limitations of public works.—This bill implies that in the event private enterprise is unable to provide full employment, the Government will undertake to do so through the use of public works. Let's examine this idea. Over the past 40 years the number of persons employed in the construction industry has varied from a low of about 1½ million in 1933 to a high of about 3½ million in 1926 and 1927 (pp. 2 and 7 of the statistical appendix). In other words, during the greatest building boom this country has ever experienced, there were about 2½ million more workers in the construction industry than during the worst depression the Nation ever endured. If the construction industry had absorbed the unemployed during the early thirties, it would have had to be expanded about tenfold.

I simply point this out to show that during periods of prolonged depressions the construction industry cannot be expected to absorb the unemployed of this Nation without diverting an unreasonably large percentage of our resources and labor to construction. We may as well realize that under a public-works program we cannot keep on building roads, postoffices, parks, and schools indefinitely, but that we must move into fields if this course is to be followed. This fact has already been demonstrated by the movement of the Federal Government into the field of slum clearance and housing.

There is no use to fool ourselves—if the Government is going to underwrite full employment and instigate programs to fulfill its promises, we could very easily reach a stage where the Government is forced to go into the production and manufacture of consumer goods, such as shoes, shirts, and other consumer goods. If the Government does not move in this direction, then we may find ourselves in the position of having a rich Government, as measured in terms of elaborate buildings and equipment, but with very poor people. The history of the world is studded with examples of where fine edifices have been erected by a very poor citizenry.

We must face the fact that if the Government assumes this responsibility under the terms outlined by this bill, governmental activity will have to be extended into many sections of our economy and cannot be confined to a few minor activities in the field of construction. In June of this year only about 1½ percent of our labor force was employed in construction, compared with 28 percent in manufacturing, 17 percent in agriculture, and 13 percent in trade (p. 8 of the statistical appendix).

In this bill I see very grave danger of more and more concentration of power into the hands of the Federal Government, with less and less responsibility in local communities. If the Federal Government is going to undertake to guarantee full-time remunerative jobs, there appears to be little escape from greater and greater socialization of our economy.

Difficulties in making estimates.—The bill provides that the President and other agencies of Government shall make forecasts on the various items affecting the amount of money that the Government will have to expend, and suggest action programs necessary in order to provide full employment. These estimates are to be made as far as 18 months in advance. Unfortunately our economists and statisticians have not yet reached the stage of perfection where they can make economic forecasts with the degree of accuracy which would justify our staking billions of dollars upon the estimates being correct. There is evidence to indicate that even within the Federal Government we have not been able to make very reliable estimates concerning our budgetary requirements. Even in 1929 very few of our leading economists predicted the depression of the thirties. Many were saying we were in a new era of prosperity.

It also appears that the safe thing for the Government agencies to do in making the estimates would be to always underestimate the contribution to be made by private enterprise in order to be sure that the Government program would be adequate to provide the desired full employment. Under such a procedure it would also be possible for the administration in power to take credit for providing a greater number of jobs by the instigation of its governmental programs, with less and less credit to private enterprise.

Positive program's necessary.—The American Farm Bureau Federation recognizes that the Government has some obligations in encouraging a high level of employment in case private enterprise is unable to do so. We do not, however, favor the equivalent of holding a pistol at the head of private enterprise and stating, "You do, or we will." We believe that public works, conducted on a reasonable scale and on a sound basis, can make a contribution to our national

welfare. We believe that we should have a coordinated program whereby public works can be used to alleviate unemployment.

As I said in the beginning, farmers have a vital stake in full employment. They want labor to receive good wages for a full day's work. They certainly do not want to see anyone suffer and lose self-respect through mass unemployment. The Farm Bureau believes that this Nation can accomplish more by encouraging individual initiative, by providing an environment in which the individual has the opportunity to advance through merit, by the Government underwriting only the minimum essentials of security, and not attempting to underwrite the full extent of security. We believe that the thing which has made this Nation great is its ability to pioneer, to forge ahead, to develop courageous leadership, and the fundamental right of any individual to go as far as his capabilities permit, providing he did not tread upon the rights of his fellowmen.

The American Farm Bureau Federation believes that there are positive programs which will provide this Nation more than can possibly be provided under the approach taken in this so-called full-employment bill. I believe the proposed 10-point program by our board of directors will promote maximum employment and at the same time improve the national welfare. It is our feeling that it is the responsibility of government to provide an environment in which the individual has an opportunity to obtain the good things of life, but that it is not the responsibility of government to assure them to all persons. It appears to me to be ironical that promptly upon the end of a war, in the winning of which we sacrificed upon the altar of freedom the lives of so many of our fine young men, that we stand today in the halls of our Nation's Capitol debating a measure which deals so recklessly with this freedom for which so many have died. Are we going to trade our freedom, which involves some risk and also offers unlimited opportunity, for a program which offers a minimum amount of security, and endangers the freedom of every individual citizen?

(The tables referred to are as follows:)

Size and distribution of the total labor force during selected periods, 1900-43

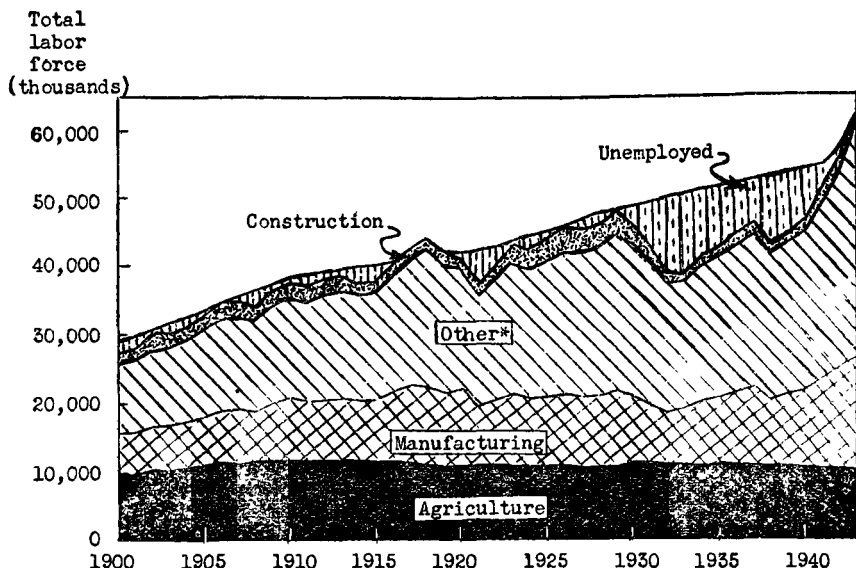
[In thousands]

Year	Total labor force	Agriculture	Manufacturing	Other industries and services ¹	Construction	Unemployed
1900.....	29, 025	9, 552	6, 090	10, 097	1, 639	1, 647
1910.....	38, 133	11, 610	8, 990	14, 803	2, 177	553
1920.....	41, 897	10, 718	11, 013	18, 026	1, 582	558
1921.....	42, 445	10, 751	8, 599	16, 637	1, 704	4, 754
1922.....	42, 966	10, 766	9, 391	17, 581	2, 311	2, 917
1923.....	43, 760	10, 697	10, 592	19, 131	2, 591	749
1929.....	48, 354	10, 539	11, 059	22, 987	3, 340	429
1930.....	48, 977	11, 172	9, 770	22, 297	2, 842	2, 896
1933.....	50, 669	11, 027	7, 979	18, 707	1, 114	11, 842
1940.....	54, 290	10, 580	11, 288	22, 908	1, 907	7, 607
1943.....	62, 028	10, 264	16, 205	33, 795	1, 764	(²)

¹ Includes forestry and fishing, mining, transportation, public utilities, trade, distribution and finance, service industries including military forces, etc.

² Negative unemployment. During periods of high industrial activity there are persons at work who are not ordinarily counted as members of the labor force.

Source: The Economic Almanac, 1944-45, National Industrial Conference Board.



*Includes forestry and fishing, mining, transportation, public utilities, trade, distribution and finance, service industries including military forces, etc.

Size and distribution of the total labor force, 1900-1943

[Thousands]

Year	Total labor force	Agriculture	Manufacturing	Other industries and services ¹	Construction	Unemployed
1900.....	29,025	9,552	6,090	10,097	1,639	1,647
1901.....	29,959	9,481	6,212	10,591	1,954	1,721
1902.....	30,905	10,145	6,503	11,143	2,614	500
1903.....	31,842	10,117	6,714	11,526	1,962	1,523
1904.....	32,605	10,587	6,754	11,880	1,954	1,430
1905.....	33,653	10,795	7,278	12,674	2,285	621
1906.....	34,790	11,246	7,666	13,311	2,567	(2)
1907.....	35,631	11,054	7,935	13,544	2,332	756
1908.....	36,580	11,413	7,431	13,297	2,143	2,296
1909.....	37,454	11,599	8,446	14,357	2,333	719
1910.....	38,133	11,610	8,990	14,803	2,177	553
1911.....	38,668	11,493	8,628	14,845	2,131	1,571
1912.....	39,089	11,473	8,909	15,413	2,374	920
1913.....	39,500	11,451	9,099	15,806	2,126	1,018
1914.....	39,789	11,404	8,769	15,601	1,801	2,214
1915.....	40,083	11,371	8,911	15,802	1,644	2,355
1916.....	40,314	11,382	10,184	16,867	1,694	187
1917.....	42,685	11,161	11,436	18,366	1,722	(2)
1918.....	44,187	10,731	11,446	20,243	1,767	(2)
1919.....	42,029	10,489	10,989	18,743	1,808	(2)
1920.....	41,897	10,718	11,013	18,026	1,582	558
1921.....	42,445	10,751	8,599	16,637	1,704	4,754
1922.....	42,966	10,766	9,391	17,581	2,311	2,917
1923.....	43,760	10,697	10,592	19,131	2,591	749
1924.....	44,549	10,662	9,896	19,060	2,897	2,034
1925.....	45,009	10,725	10,222	19,966	3,279	817
1926.....	45,962	10,801	10,386	20,814	3,497	464
1927.....	46,939	10,519	10,164	21,168	3,468	1,620
1928.....	47,914	10,552	10,312	21,755	3,438	1,857
1929.....	48,354	10,539	11,059	22,987	3,340	429
1930.....	48,977	11,172	9,770	22,297	2,842	2,896
1931.....	49,567	11,157	8,423	20,725	2,225	7,037
1932.....	50,112	11,068	7,348	18,969	1,312	11,385
1933.....	50,669	11,027	7,979	18,707	1,114	11,842
1934.....	51,235	10,855	9,179	19,922	1,518	9,761

See footnotes at end of table.

Size and distribution of the total labor forces 1900-1943—Continued

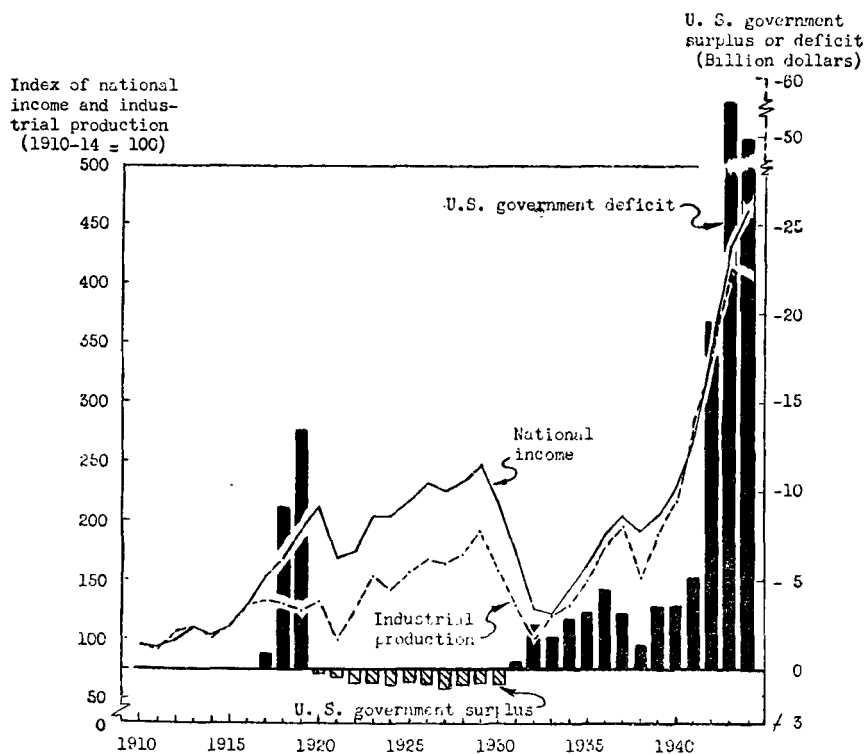
[Thousands]

Year	Total labor force	Agriculture	Manufacturing	Other industries and services ¹	Construction	Unemployed
1935.....	51,745	11,130	9,757	20,422	1,344	9,092
1936.....	52,216	11,037	10,485	21,294	2,014	7,386
1937.....	52,682	10,884	11,361	22,110	1,924	6,403
1938.....	53,212	10,794	9,538	21,209	1,875	9,796
1939.....	53,779	10,739	10,517	22,127	1,610	8,786
1940.....	54,290	10,580	11,288	22,906	1,907	7,607
1941.....	54,710	10,355	13,198	25,269	2,612	3,276
1942.....	55,762	10,392	14,632	28,114	2,624	(²)
1943.....	62,028	10,264	16,205	33,795	1,764	(²)

¹ Includes forestry and fishing, mining, transportation, public utilities, trade, distribution and finance, service industries including military forces, etc.

² Negative unemployment. During periods of high industrial activity there are persons at work who are not ordinarily counted as members of the labor force.

Source: The Economic Almanac, 1944-45, National Industrial Conference Board.

Relationship of United States Government surplus or deficit to national income and industrial production, 1910-44

Deficit financing on a reasonable scale is not a proven means of encouraging private enterprise.

American Farm Bureau Federation, Chicago, Ill., September 28, 1945

Relationship of U. S. Government surplus or deficit to national income and industrial production, 1910-44

[Millions of dollars]

Year	U. S. Government surplus or deficit	National income	Index of industrial production (1910-14=100)	Year	U. S. Government surplus or deficit	National income	Index of industrial production (1910-14=100)
			<i>Percent</i>				<i>Percent</i>
1910.....	-18	33,064	95	1928.....	939	81,044	171
1911.....	11	32,490	91	1929.....	734	85,954	190
1912.....	3	34,456	105	1930.....	738	75,364	157
1913.....	(1)	37,762	109	1931.....	-462	59,853	129
1914.....	(1)	36,367	100	1932.....	-2,529	43,605	100
1915.....	-63	38,254	110	1933.....	-1,784	42,006	119
1916.....	48	44,913	129	1934.....	-2,895	49,448	129
1917.....	-853	53,360	131	1935.....	-3,210	56,398	150
1918.....	-9,032	58,121	129	1936.....	-4,550	65,707	178
1919.....	-13,363	66,136	124	1937.....	-3,148	71,556	195
1920.....	291	73,393	131	1938.....	-1,384	66,412	153
1921.....	509	58,333	100	1939.....	-3,542	71,515	188
1922.....	736	60,517	126	1940.....	-3,611	78,475	216
1923.....	712	70,675	152	1941.....	-5,103	94,833	279
1924.....	963	70,634	141	1942.....	-19,598	120,881	343
1925.....	717	75,187	152	1943.....	-55,897	149,914	412
1926.....	865	80,396	166	1944.....	-49,595	160,907	405
1927.....	1,155	78,502	164				

¹ Less than \$500,000.

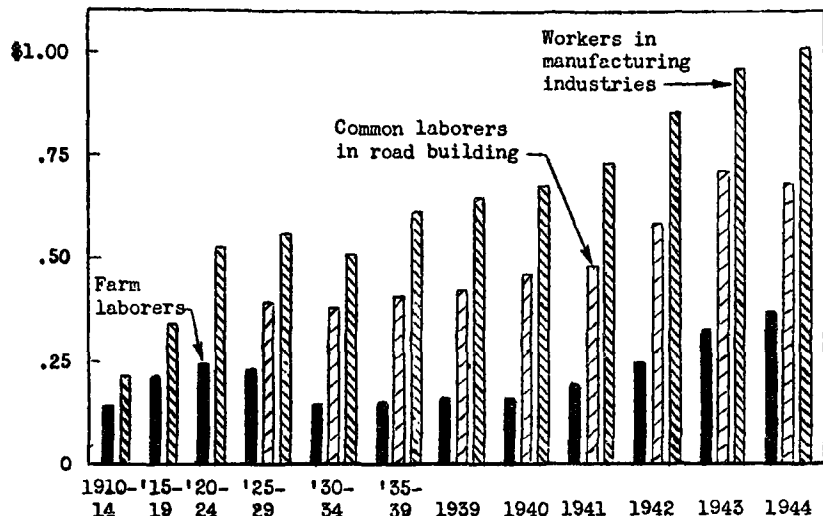
Source: U. S. Government surplus or deficit, Reports of the Secretary of the Treasury; national income, U. S. Department of Agriculture, Bureau of Agricultural Economics; industrial production, Federal Reserve Board index shifted to 1910-14 base by Bureau of Agricultural Economics.

Comparison of average hourly earnings of farm laborers, common laborers in road building, and workers in manufacturing industries, United States, 1910-44

Year	Average hourly earnings			Year	Average hourly earnings		
	Farm laborers	Common labor in road building	Workers in manufacturing industries		Farm laborers	Common labor in road building	Workers in manufacturing industries
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>		<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
1910-14.....	14.2		21.2	1939.....	15.6	42.0	64.4
1915-19.....	21.1		33.7	1940.....	15.9	46.0	67.0
1920-24.....	24.4		52.3	1941.....	19.3	48.0	72.9
1925-29.....	22.8	38.8	55.4	1942.....	24.9	58.0	85.3
1930-34.....	14.5	37.6	50.5	1943.....	32.7	71.0	96.1
1935-39.....	15.0	40.4	60.8	1944 (April).....	36.9	68.0	101.2

Source: Wages of Agricultural Labor in the United States, by Louis J. Ducoff, Bureau of Agricultural Economics, U. S. Department of Agriculture, September 1944.

Average hourly earnings



American Farm Bureau Federation
Chicago, Illinois - 9/28/45

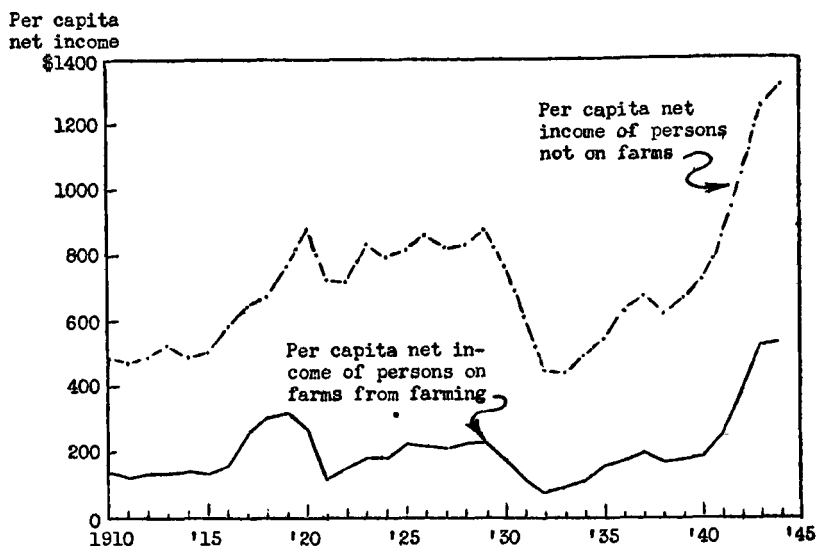
Per capita net income of persons on farms and persons not on farms, 1910-44¹

Year	Per capita net income of—		Year	Per capita net income of—		
	Persons on farms from farming	Persons not on farms		Persons on farms from farming	Persons on farms from all sources ²	Persons not on farms
1910	\$139	\$482	1928	\$222	(2)	\$830
1911	122	468	1929	223	(2)	871
1912	135	483	1930	170	(2)	761
1913	136	521	1931	114	(2)	605
1914	140	484	1932	74	(2)	442
1915	135	502	1933	93	(2)	419
1916	155	580	1934	111	(2)	488
1917	258	640	1935	159	\$243	540
1918	304	671	1936	171		626
1919	319	762	1937	197		671
1920	265	878	1938	165		622
1921	119	720	1939	173	262	663
1922	153	718	1940	181	346	721
1923	180	815	1941	253	506	850
1924	180	792	1942	389	668	1,045
1925	223	812	1943	523	692	1,248
1926	216	858	1944	534		1,317
1927	209	820				

¹ Net income to persons on farms from farming includes the total of cash farm receipts, Government payments, value of products consumed on farms, rental value of farm homes, less production expenses, with adjustments for changes in inventory and wages paid to hired labor.

² Data pertaining to income of persons on farms from other sources, such as work off the farm, are not available prior to the 1935-39 period, when it averaged \$67 per capita.

Source: U. S. Department of Agriculture, Bureau of Agricultural Economics, Net Farm Income and Parity Report, 1943, July 1944, and The Farm Income Situation, June 1945.



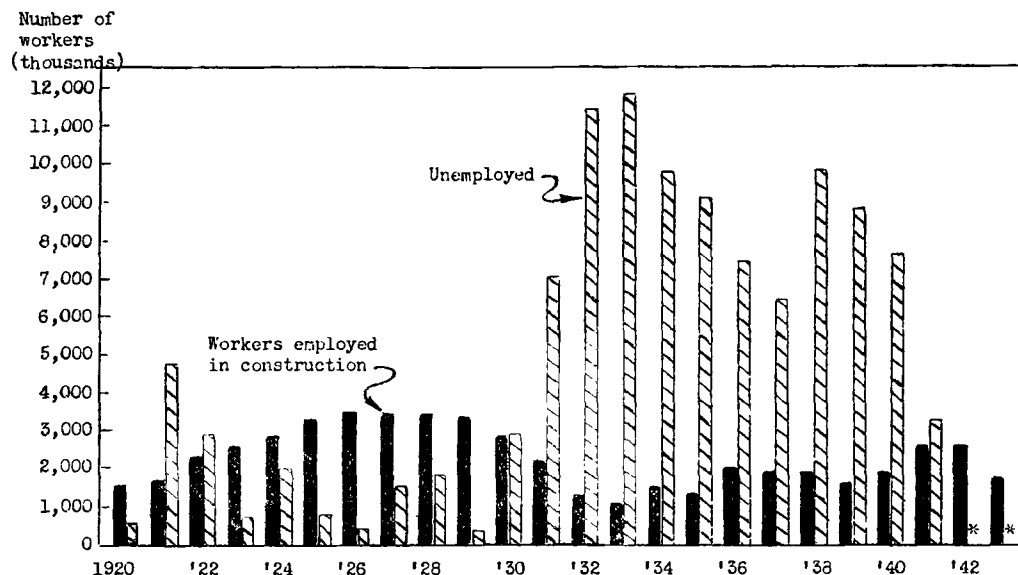
American Farm Bureau Federation
Chicago, Illinois 9/28/45

Distribution of the labor force, June 1945

	Number (thousands)	Percent of total labor force
Total civilian labor force.....	53,070	100.0
Agricultural employment.....	9,090	17.1
Manufacturing.....	14,573	27.5
Mining.....	791	1.5
Construction.....	810	1.5
Transportation and public utilities.....	3,840	7.3
Trade.....	6,968	13.1
Finance, service, and miscellaneous.....	4,560	8.6
Federal, State, and local government, excluding Federal force-account construction.....	5,953	11.2
Miscellaneous (includes self-employed, domestic, and casual workers).....	5,405	10.2
Unemployed.....	1,080	2.0
Military personnel.....	12,300	-----

Source: U. S. Department of Labor, Bureau of Labor Statistics, Monthly Labor Review, August 1945.

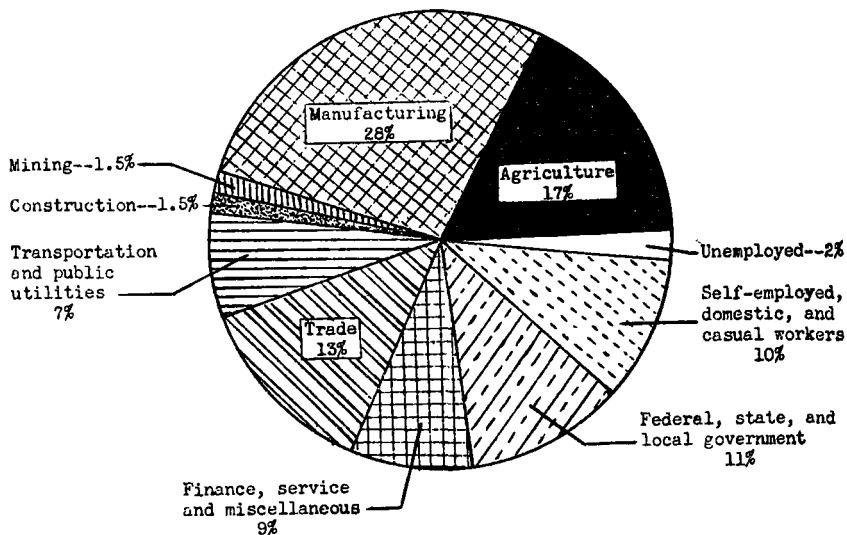
NUMBER OF WORKERS EMPLOYED IN THE CONSTRUCTION INDUSTRY AND NUMBER UNEMPLOYED, 1920-43



* Negative unemployment. During periods of high industrial activity there are persons at work who are not ordinarily counted as members of the labor force.

Source: "The Economic Almanac, 1944-45," National Industrial Conference Board.

American Farm Bureau Federation
Chicago, Illinois - 9/28/45



American Farm Bureau Federation
Chicago, Illinois 9/21/45

The CHAIRMAN. Your statement is in opposition to H. R. 2202 and S. 380, isn't it?

Mr. OGG. That is correct.

The CHAIRMAN. Both so-called full-employment bills.

Mr. OGG. That is correct.

The CHAIRMAN. And that would also apply to H. R. 4181, that has just been discussed?

Mr. OGG. Yes, sir; that is correct. In fact, I think H. R. 4181 is worse than H. R. 2202.

The CHAIRMAN. I am disturbed about the so-called national budget the President will have to submit, Mr. Ogg; that is, the President will be placed in the position of having to forecast a boom or a bust. Do you think it is possible for you experts in agriculture to forecast how many bushels of wheat will be raised next year?

Mr. OGG. No; I don't think it is.

The CHAIRMAN. Or how many bushels of corn?

Mr. OGG. I think it would be impossible to do that. In other words, we don't know what the acreage is going to be, and we certainly don't know what the yield is going to be per acre.

The CHAIRMAN. You don't know what the weather is going to be.

Mr. OGG. We don't know what the weather is going to be.

The CHAIRMAN. You don't know whether the crop will be destroyed by pests.

Mr. OGG. Even if we knew the acreage, there is a very wide fluctuation in the yield, as you know very well, of the various crops.

The CHAIRMAN. Let me ask you this question—

Mr. OGG. Of course, I think that is one of the fundamental fallacies in this bill, the difficulty of estimating the total amount of probable unemployment that there may be, the total amount of employment to a given amount of public spending and private spending that will

be provided. In other words, just take the record of the thirties and the estimates sent over to you gentlemen of Congress as to unemployment relief. How accurate were they? Just go back and see how inaccurate they were. They speak for themselves.

The CHAIRMAN. The Director of the Bureau of the Budget furnished our committee with information indicating there will be 8,000,000 people unemployed next year in the United States. I assume those are employables. We have also had testimony indicating that the minimum decent standard annual wage for a family of four would be \$3,075 a year. Do you think the Treasury of the United States could afford to spend a minimum of \$24,000,000,000 next year over and above its normal expenditures for maintenance, without seriously impairing our national credit and without seriously affecting the ability of the farmers to give employment on farms and produce food and fiber?

Mr. Ogg. I think before answering that, I would like to point out that it is a very serious question whether those estimates are correct, in the first place.

The CHAIRMAN. Assuming they are correct.

Mr. Ogg. Assuming they are correct, I think it illustrates one of the fundamental fallacies and dangers in this bill, when the Government commits itself, by act of Congress, to a permanent policy of guaranteeing jobs—full-time jobs—at all times, under all circumstances, under all conditions, and to provide a volume of expenditure that will absolutely guarantee that at all times. It indicates the staggering volume of public expenditures that we may be committing ourselves to, as you illustrate there, which I think would be dangerous to the solvency of our Government, if literally carried out.

The CHAIRMAN. Don't you also think, Mr. Ogg, if every person in the United States thought they could get a job on a Federal project, that sooner or later our farmers would start leaving the farms and start to work on these public-works projects, thereby causing a serious famine in this country?

Mr. Ogg. Well, I think it would discourage the people that look to their own efforts to earn a living, to see people without reasonable effort get jobs and stay at work, or seek reemployment at reasonable wages, if they can look to the Government to maintain them. With this prevailing wage requirement, I think that it will unquestionably result in encouraging people to get on the Government, as they have done in times past, rather than seek employment in private industry.

I would like to call your attention, in that connection, to one of the charts attached to President O'Neal's statement, on page 5 of the charts which gives from 1910 to 1944, a comparison of the average wage—average hourly earnings of farm laborers, common laborers in road building, and workers in manufacturing industries in the United States.

You will notice that in 1930 to 1934, the bottom of the depression, the average wage of farm laborers was 14.5 cents per hour, the average wage of common laborers on road building was 37.6 cents per hour, the average hourly earnings of laborers in manufacturing industry was 50.5 cents per hour.

At the present time farm labor is 36.5 cents per hour; common labor in road building, 68 cents; and workers in manufacturing industry, \$1.01 per hour.

Frankly, as you will recall, in the depression there was a great deal of complaint from farmers all over the country that Government-work projects paid higher wages than the farmers were able to pay for farm labor out of their income, and in many cases the worker on the farm was doing better than the farm owner at that time. A lot of farm owners lost their farms and went through bankruptcy.

The CHAIRMAN. How many people are engaged in farming in the United States today?

Mr. OGG. Between six and seven million farms. There are more people than that, of course.

The CHAIRMAN. How many people have you lost since 1940 from the farms?

Mr. OGG. Well, we have lost approximately 5,000,000 persons who have left the farms since 1940. Of course, there have been some who have returned. I don't know what the net movement has been, but there have been something like 5,000,000 who have left. Well, they haven't all left the farms. I will put it this way: There have been 5,000,000 leave agricultural work. Some of them have continued to live on the farm, but they have taken jobs in war plants, or jobs in town, or some other nonagricultural work.

The CHAIRMAN. What is the difference, roughly, in the number of people engaged in farm activities in 1940 and today? Have you seen any recent compilation from the agricultural census?

Mr. OGG. I haven't seen that figure, but I think it is between five and six million less.

The CHAIRMAN. Five million less than you had in 1940?

Mr. OGG. Less people on the farms than we had in 1940. Maybe a little less than 5,000,000. I think it is between four and five million.

The CHAIRMAN. The people who were left on the farms last year, 1944, produced about 34 percent more food and fiber than was produced by the 11,000,000 people in 1940; is that true?

Mr. OGG. That is true. There has been an increase in the output of about one-third, with less people and despite the shortage of machinery. Of course, that is due to the farmers working longer hours and their wives and children helping for patriotic reasons.

The CHAIRMAN. And there has been increased acreage.

Mr. OGG. That plays an important part in that.

The CHAIRMAN. Do you think it possible for agriculture today to absorb a million and a half people more than are now on farms and give the farmer a reasonable return for his efforts?

Mr. OGG. I don't believe it is possible.

The CHAIRMAN. Don't you think that with the advent of new labor-saving devices on the farm that the farm population will eventually be decreased rather than increased?

Mr. OGG. The Bureau of Agricultural Economics has made some rather detailed studies on that question, and their studies would not appear to show any reasonable prospect of absorbing any large number of additional workers on the farm. In fact, their studies would show the contrary, that due to the increased productivity in agriculture, increased efficiency, greater yields per acre, and, frankly, of course, with the change in the postwar economy, there will be some lessening of demand, of course, due to the decreased purchases by

the Government, so that, putting all these things together, I think it is pretty generally agreed that agriculture cannot absorb any large number of additional workers.

The CHAIRMAN. Do you think it humanly possible for anyone to forecast the number of people that will be employed in agriculture and in private industry in November of 1946, today?

Mr. Ogg. I don't think you can forecast with any degree of accuracy, certainly not to the extent that would be required in this bill. You not only cannot forecast the amount of employment or amount of unemployment accurately, but this bill requires the President to submit a budget of national spending, how many jobs industry will provide, and what the total deficit spending is to provide the so-called level of full employment. I don't think anyone can predict with any degree of accuracy how many jobs a certain volume of public spending will provide. He may be able to make some rough guesses. I don't think they can determine with any degree of accuracy how many jobs the expenditures in private industry are going to provide.

The CHAIRMAN. What effect do you think it would have on the purchases of farmers, the things farmers buy, if the President would announce now that we would have a serious unemployment situation in industry 6 months from now?

Mr. Ogg. Well, it would have a very depressing effect, not only on the farmers but business generally. In other words, they would all start to get ready for the "rainy day."

The CHAIRMAN. If they planned to buy a new tractor next year, they would feel——

Mr. Ogg. They would probably put it off.

The CHAIRMAN. They would feel certain their farm commodity prices would drop with the increase in unemployment and productive activities, is that true?

Mr. Ogg. I think that is true.

The CHAIRMAN. Do you have any other observations you want to make, Mr. Ogg?

Mr. Ogg. I think I might add this comment: As you will note from President O'Neal's statement, which includes, of course, the statement of our board of directors, we are much concerned about this bill on much more fundamental issues than merely the question of whether you can estimate accurately the trends of industry and plan for this period of unemployment. I don't think anyone objects to better planning of public works or that public works play a proper role in relief of unemployment. Our organization has supported large programs of public works. President O'Neal served as a member of the first committee President Roosevelt appointed, back in 1934 and 1935, to make possible the spending of \$5,000,000,000 on a public works program. I just want to make clear, as you will note from the statement I have presented, we are for a constructive program of public works to the extent it is justifiable and needed, but our objection to this legislation goes to much more fundamental issues.

We think it jeopardizes the whole system of private enterprise which has made this country the leading nation of the world. Secondly, that it lays the foundation for a totalitarian regime of gov-

ernment, if this bill is literally carried out, and unless it is carried out, it is a fraud. In other words, this bill would by the policy of Congress commit itself to guaranteeing a full-time job at all times to every person, at all times, under all circumstances, and to spend whatever money is necessary to make that guaranty effective every working day of the year.

Now, in order to do that, it is very significant that in the bill that is here, that was presented just a little while ago to the committee, H. R. 4181, it was suggested that our Government embark upon the experiment of Government operation of plants to produce consumer goods, and I believe that some of the proponents of the bill have gone so far as to state that the bill does not go far enough, that the Government eventually would have to take over and operate many plants. Frankly, I think the Government could not make good on its guaranty and commitment under this bill, unless it had either a large degree of control, if not ownership and operation of most of our basic industries.

The CHAIRMAN. Wouldn't it be necessary, ultimately, if this bill were put into effect, and implemented by the legislation necessary to carry it out, to carry out the commitments under the bill, for the Government to freeze all men on the farm? Because if they started leaving the farms to work on these Government projects, somebody would go hungry.

Mr. Ogg. I think that is a possibility, if this so-called right is going to be fully guaranteed by the Government. In other words, if this bill is going to be literally carried out, there would necessarily have to be some measures of compulsion, it seems to me. How else could you guarantee everybody a job at all times? Unless you have control in every industry, as well as control over the workers. Because otherwise you would be running into slack time in an industry and the workers have to be moved somewhere else. Maybe they don't want to move. It seems to me these compulsions, and all-out Government control over our economy will inevitably follow if the philosophy of the commitments contained in this bill are adopted. In other words, it is the foundation for a socialistic state.

The CHAIRMAN. Do you have any further observations?

Mr. Ogg. No, sir.

The CHAIRMAN. Thank you very much, Mr. Ogg.

The next witness is Mr. Russel Smith, legislative section of the National Farmers Union. I want to state that Mr. Russel Smith is a native Alabamian and was one of the outstanding students of the University of Alabama when I was there, and a very capable newspaperman.

STATEMENT OF RUSSEL SMITH, LEGISLATIVE SECRETARY, NATIONAL FARMERS UNION

Mr. SMITH. I would like to state, first, that the chairman exaggerates considerably on my scholastic attainments.

The CHAIRMAN. I think his record will speak for itself.

Mr. SMITH. I would like to state that Mr. Patton's position is similar to that of Mr. O'Neal. State conventions are being held now, which it was absolutely necessary for him to attend.

The National Farmers Union urges this committee to approve H. R. 2202 without amendment. We do this despite the fact that we believe the bill does not go far enough in the direction of assuring an economic climate of permanent confidence, the only safeguard against recurring depression, heavy Federal expenditure, further increases in the national debt, and widespread suffering among the people, particularly farm people. We support the bill as it stands because, while it stops short of the authorization of appropriations to make effective its policy statements, nevertheless it is urgently necessary that the minimum machinery of preparation in advance for Congress to deal with economic emergency be set up as soon as possible.

I would like to interpolate there, Mr. Chairman. When I say the bill does not go far enough, I mean exactly what I have said, that we have felt all along that such a bill should call for automatic authorization of appropriations. I don't mean yard-stick operation of plants as Mr. LaFollette's bill proposes.

The CHAIRMAN. Of course, the Appropriations Committee of the House has more power than this committee, and they would be very jealous of their prerogatives over appropriations.

Mr. SMITH. I don't mean this bill should carry an appropriation, but the authorization.

The CHAIRMAN. Then the other legislative committees would kick us off the map, if we were to do that.

Mr. SMITH. I realize there are complications.

Our organization has advocated such legislation since August 1944. At that time we prepared and submitted to the Members of Congress, a suggested amendment to the then pending Kilgore unemployment compensation bill, providing that whenever it appeared that private and public investment and construction expenditures should fall below \$40,000,000,000, appropriations automatically should become authorized in the amount required to bring the total annually up to that figure. The particular proposal made at that time failed, of course, but from it sprang the various subsequent proposals and ideas that have evolved into the present bill.

I would like to interpolate again, to make perfectly clear that we are not advocating an appropriation of \$40,000,000,000. The theory on which that suggestion is based is drawn from various economic studies which indicate that the investment in construction figure annual equals just about one-fifth the national income, and the \$40,000,000,000 figure is taken as the factor for a \$200,000,000,000 income.

The CHAIRMAN. That is all construction, both public and private?

Mr. SMITH. That is right, and to have a workable bill, one that is to furnish a permanent atmosphere of confidence to investors and consumers alike, we should go as far as we can toward guaranteeing real unemployment relief. I am certain the amount of investment necessary to produce that plan follows very logically if you accept the theory.

The reason we made the original proposal and the reason we support the pending bill is simply that we regard them as the most critical farm legislation of our time. As our president, James G. Patton, put it in a magazine article:

In our highly industrialized economy, full employment is the farm-relief measure of our time.

This view is shared by virtually all agricultural leaders. Secretary Anderson, in testifying on the companion bill in the Senate, said that "the maintenance of full employment will be essential if we are to guard against another period of agricultural depression and low farm income." Mr. O'Neal, of the Farm Bureau, has said that everyone wants "jobs and opportunity for all those who are willing to produce." Mr. Goss, of the National Grange, has said that "no group has a greater interest in seeing full employment maintained after the war than agriculture." Mr. Brinkley, of the National Council of Farmer Cooperatives, has said that "we are vitally interested in measures affecting full business operations of all kinds." And the Land-Grant College Association has said that "high-level employment" in industry "means very much more to farmers than any farm program the Government may attempt."

It may be said, then, that there is virtual unanimity among farm leaders of all kinds on the urgency of maintaining full employment, or at any rate "high level employment," if there is a distinction to be made. The only difference relates to the methods to be followed.

This remarkable unanimity of opinion is not difficult to account for. It flows directly from the fact that during the recently concluded war, the United States, for the first time since it became an industrial giant, has found out what full employment means. It has found out because during the war the American economy has been a full-employment economy.

The result, from an agricultural standpoint, has been astonishing. Despite rationing and other difficulties, civilian consumption went up tremendously. Consumption of pork and lard went from 67 to 87 pounds per person a year, of chickens from about 18 pounds to 28, of cotton from 25 to 40 pounds. There were some decreases, too, but these were largely attributable to rationing. Where the new buying power could make itself felt, it did so, and to an extent that previously had not been expected. The increases show what may be expected in an economy where the demand for workers exceeds the supply, for that was the condition during the war. The result was a tremendous expansion of buying power not only because everybody was working, but because wages were higher than before.

This is the first war lesson bearing directly upon the bill before the committee. In peacetime, the Bureau of Agricultural Economics estimates, this would mean that beef and veal consumption would be 113 percent of the 1935-39 level, consumption of pork and lard would be at 143 percent of that level, of chickens 140 percent, of citrus fruit 154 percent, of dairy products 112 percent. These are highly conservative estimates.

The second major lesson that the war period has for us is in production, income, and prices. So far as production is concerned, we learned that a tremendous increase was possible in the face of a heavy loss of manpower to the armed services, in the face of a continuous shortage of machinery and equipment, and in the face of severe transportation difficulties. About a million farm boys went to war. You members of the committee do not need to be reminded of the letters you had about the shortage of machinery.

With all of that, cash income from farm marketings went from the 1935 average of \$8,000,000,000 to more than \$19,000,000,000, the best

indicator of total production. Even corrected for the difference in price levels, the production increase still is amazing. Moreover, income per person employed in agriculture rose from \$860 to \$2,125.

Commercial farmers, those who contribute the bulk of the production for cash sale, thus have an enormous direct stake in the continuance of a condition of full employment. And Congress cannot but be aware of the tremendous implications of these farm income figures. Under the Steagall amendment to the Price Control Act of 1942, Congress has committed the Government to support prices at least 90 percent of parity, in some cases more. Yet the Bureau of Agricultural Economics has estimated that even 7,000,000 unemployed by 1950 would reduce farm income from cash marketings to about \$6,500,000,000. Under such conditions, how far could Congress go in meeting the Steagall amendment commitments? Already, Mr. Snyder has testified that there will be 8,000,000 unemployed next spring. The \$2,000,000,000 annually being spent now in subsidies in lieu of farm price rises would be wholly insufficient to meet the Steagall amendment pledges if farm income declined to \$6,500,000,000. The only way, therefore, that the pledge could be kept, even superficially, would be by the imposition of severe acreage restrictions and marketing quotas, restrictions and quotas so low as to make it improbable the country as a whole would stand for such a gigantic slash in its living standards.

There is a third moral to be drawn from the war experience, and it is implicit in the figures that I have already quoted. More than a million veterans of this war have farm backgrounds, and many of them will want farms. In fact, many of them want farms right now. They are not going to be able to find them, under present conditions. Nor is Congress going to be able to see made effective the policy it enunciated in the Bankhead-Jones Farm Tenant Act of assisting worthy tenants to become owners, and so promoting the family farm pattern in our agriculture.

For agriculture has produced at tremendously high levels during the war, without the required equipment, and it can produce at even higher levels after the war. There is no doubt that mechanization will proceed apace in many agricultural lines, nor is there any doubt that conservation, plant breeding, plant nutrient, and other improved practices and techniques mean a permanent increase in productive capacity per worker. Official Government figures show that this increase amount to 45 percent per worker in agriculture, even more than the 43 percent increase in industrial production per worker. Thus, it is wholly possible for production at even higher levels than during the war to be maintained with even fewer workers than during the war. Indeed, there is good reason to believe that the official figures are again conservative and that technological advance will be more rapid and more sweeping than they foreshadow.

This would not mean, necessarily, that returning veterans could not farm, not that tenants could not hope to advance to the status of owners, nor that the number of family farms could not be increased rather than reduced. But it does mean that the pressure is all the other way, in the direction of mechanical efficiency at the expense of human efficiency, and when the rising prices of farmland, the scarcity of available farms for purchase, and the ever-increasing capital requirements of farming are added to the technological factors, then

the picture becomes dark indeed for those of us who have struggled to preserve family-type farming.

What all of this means in relation to the pending bill is simply that the pressure on the land will be so severe as to intensify all of the human problems I have just mentioned unless industry is ready and eager to offer alternative work to farm boys and men. Without that absorptive influence—which means full employment—the outlook is indeed grim.

Pressure on the land is related also to the last of the full-employment sermons preached by the war. I refer to conservation of natural resources. During the war between 350 and 360 million acres of farm land were used. This included some land that was dangerously near the border line, so far as its tillable use is concerned. Indeed, the Soil Conservation Service thinks the Nation has been set back years in its progress toward ending waste of soil through erosion of wind and water. But it is also estimated that allowing for moderate increases in production due to technological change, production requirements could be met with the use of some 28 to 30 million fewer acres than last year. Thus there is no production necessity for continuing to waste soil resources.

But what will happen to those resources if mass unemployment strikes again is written plain in the history of what has happened before. Every great depression has seen the people flow back on the land from the starvation and bread lines of the cities. Always they flow back, by necessity, onto the poorest land, where they can eke out a living usually only with public aid of some kind, and where the toil of erosion already is worst. The nation has spent billions in the last five decades since Theodore Roosevelt's administration to preserve its resources. Yet another great depression could wipe out the fruits of those billions, set us back many years, and insure greater and greater expenditures for future conservation. For not alone do the poor farmers overfarm their land in such times. Even the wealthiest are pushed to get every ounce of production possible in order to fight off foreclosure, and to carry the heavy capital investment that modern farming increasingly demands.

So much for the arguments for full employment. As to the particular way in which full employment is to be achieved, we are under no illusions. It will not be achieved by leaving it to the accumulated decisions of thousands of private enterprises. In the nature of things, it is impossible for such a method to bring about full employment, just as it is impossible for all farmers to agree to raise or lower production unless they have some vehicle through which to reach such decisions. Business and the economy of the country generally require such a medium. There is no other medium than government.

"If we are to have full employment," Secretary Anderson said in the testimony I have quoted earlier, "the Federal Government must assume responsibility for maintaining it."

Far from threatening private enterprise, it is our view that sensible use of the mechanisms of government in the way proposed in this bill is essential to its maintenance. We do not believe that the terrific deflation of the twenties and early thirties aided private enterprise in agriculture, and we are firmly convinced that Government assistance to agriculture afterward helped to preserve private enterprise

in agriculture. We believe the parallel between that use and the present proposals before the committee are valid.

Finally, it is our conviction that such a sweeping action to bolster private enterprise and to assure prosperity as is proposed here is the best of all ways to avoid that excessive regimentation and rigid governmental control that farmers, as well as others, always have feared. There is no doubt in our minds as to the necessity for Government assumption of responsibility if we are to have continuing responsibility. The alternative to H. R. 2202 is a multiplicity of separate actions by Government, that will spell out the creeping bureaucracy that all of us want to avoid. We therefore urge the committee to approve the bill.

The CHAIRMAN. There is one thing I think the President should have authority to do. I don't know your position on this, but I think the President should have the authority to withhold public works that are not absolutely needed during times where there is plenty of employment. Unfortunately, heretofore, we have always built our roads and our other public works in times when there was a scarcity of labor, a scarcity of materials, and when, in fact, it didn't contribute to the national welfare, in that it didn't have the public works projects carry over into times of unemployment.

I think the President should have the authority to withhold such appropriations until such times as it would contribute to giving employment to people. I think the President should also have the authority to reorganize our statistical and information service, have one central statistical bureau where agriculture, retail business, wholesale distributors, manufacturers, and the public could get current information and statistics.

But one of the things that has disturbed me about this bill is that a lot of the people think the day this bill becomes law that they will have jobs. That does not come from the testimony of the leaders, but the man on the street thinks that, and I think it is a dangerous thing to mislead people into thinking that we are assuring every man of a job, if he can't get a job in private enterprise, by giving him a job on public works. And, of course, under the law, we would have to pay the prevailing wage. What do you think of that?

Mr. SMITH. Well, I realize fully, Mr. Chairman, simply because Congress enunciates a policy does not always mean it will be effective. Congress has frequently said that it advocates the promotion of the family farm in agriculture. We don't have as many family farms now as we had when Congress first began doing that. We don't have anywhere near as many. On the other hand, I think the important thing is whether the jobs are provided or not, I think the impact on Congress and on the people generally is going to be almost exactly the same, if we have another depression, whether or not Congress has said full employment is its policy.

The CHAIRMAN. Of course, I think it is the responsibility of the Congress to take care of people who cannot take care of themselves. I think that is our responsibility. But the thing I am seriously concerned about, Mr. Smith, is the fact that our Treasury will not permit us to assure those people the prevailing wage on these Federal-works projects. Take 8,000,000 people, at, say, \$2,000 a year. Anybody knows that is little enough for a man to work for.

Mr. SMITH. Well, our feeling is, Mr. Chairman, we are rapidly coming to a crisis where we will have no alternative but to take some such action as this. In other words, all the arguments can be used on either side of the bill, as I have seen during the course of these hearings. Our view is that we cannot carry a national debt of the kind that we have without something approximating full employment. It is just impossible. I think, so far as national bankruptcy is concerned, we have no alternative except to increase the amount of taxable income. The only way that taxable income can be increased or kept at its present level is through some kind of Government action, and that, I think, is the view of such people as Senator Bankhead, who made a speech in Birmingham last year, in which he deplored it, but he admitted it and discussed in detail the necessity for bigger and bigger government and more and more active central government. He didn't like it, but he couldn't see any way around it.

If you are going to have it, it seems to us the best kind of action is the one that involves the least interference with the individual and with the individual organizations, corporations. We believe this bill is that kind of action, that the guaranteeing and underwriting of the economy is a much preferable kind of action than such action as we had during 1932 and 1933 and 1934, when the Government frantically rushed around and tried to bolster up areas and tried to give individuals money, and corporations and associations, and in return exact all sorts of compliances from them. In other words, if you take one sweeping step like this, then you minimize the necessity for bureaucracy and regimentation and so forth.

The CHAIRMAN. But don't you think we should have this fear; that if we put a bill like this through, with the assurance it carries with it, that in the long run you will have too much Government regulation and regimentation, so that we will lose our individual freedom?

Mr. SMITH. No, sir. I think it goes the other way. I think the most serious threat to individual freedom in this country is another depression. I think out of it is likely to come American chaos.

The CHAIRMAN. We have had several economists appear before this committee, and an economist will try to prove anything in the world. They can take the same figures and prove diametrically opposed views.

Well, we appreciate that you have been able to come here and we thank you very much for your statement.

Mr. SMITH. Thanks for the opportunity.

The CHAIRMAN. The committee will adjourn until 10 o'clock tomorrow morning.

(Whereupon at 12:30 p. m. the committee adjourned to 10 a. m. Friday, October 26, 1945.)

FULL EMPLOYMENT ACT OF 1945

FRIDAY, OCTOBER 26, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES IN EXECUTIVE DEPARTMENTS,
Washington, D. C.

The committee met at 10 a. m., Hon. Carter Manasco (chairman) presiding.

The CHAIRMAN. The committee will come to order. The first witness this morning is Mr. Frederick C. Crawford, president of Thompson Products Co., Cleveland, Ohio.

STATEMENT OF FREDERICK C. CRAWFORD, CLEVELAND, OHIO

Mr. CRAWFORD. Mr. Chairman—

The CHAIRMAN. Do you have a prepared statement, Mr. Crawford?

Mr. CRAWFORD. I do not, Mr. Chairman.

The CHAIRMAN. You may proceed.

Mr. CRAWFORD. Mr. Chairman and members of the committee, my name is Frederick C. Crawford, Cleveland, Ohio. My principal job is president of Thompson Products Co., but I am here in rather the broadest sense. All my life, for 29 years, I have been a job maker, a business starter. My whole life has been in the end of business which sits at the employment table and attempts to employ men, thereby building business.

I started in the last few years three new small businesses, two of which failed, and one of which did not fail, which is a rather good record—I guess 1 out of 10 is good, in all history.

It is of particular interest that right today I want to start a new business. I have a most interesting product which would probably improve the home. I suppose I am the typical example of free-enterprise management. Free enterprise is not industry. Free enterprise is simply the consumer striving for lower prices, capital striving for use, labor ever striving for more money, and the manager trying to improve his working processes and lower his costs so that he can give each group what they want. If he doesn't, he is a failure. Free enterprise is simply human nature expressing itself. Everyone expects the buyer to buy as low as he can, everyone expects labor to demand all it can get for its labor, everyone expects capital to produce.

Because I, perhaps, represent the smaller manager or job maker in the free-enterprise system, my friends have asked me to come here, thinking that to give you the viewpoint of the man who ultimately will sit across the table when Joe comes in, and say, "Joe, I will try to give you a job," it might contribute something to this committee.

You have had a mass of economic data and a mass of testimony and I would like simply to give the views of the little job maker.

Jobs are not always in big business. We are very apt to color our thinking by a few big businesses. The most jobs in this country are in little businesses which are ever starting and ever failing. For example, some 15 automobile companies buy their parts from some 40 000 suppliers, but most interesting of all are the 140,000 institutions that repair and maintain them. Those are the little businessmen.

Mr. Chairman, America has a great and precious possession in its productive system, which is unique in the world, a system very little understood, a system greatly abused, a system which, if allowed to operate, is so productive that it could carry this war debt, could pay it off, but a system which must have a certain chance to operate or it collapses.

I come here believing that interweaved in this whole problem of jobs you talk about is America's greatest problem, greater, I think, than foreign relations or any other. Will American industry be allowed to produce unrestricted? Stop and think. That is our greatest problem. Because, if we are free to produce and exploit this marvelous productive system in America, we can carry this country on to higher levels.

I would like to make a very simple approach to the problem of jobs. You want one-third more jobs, probably, in the postwar period. That is the figure I see mentioned. Now let us go out on the street and stop the first man we meet. Take a dumbbell, if you wish. Ask him how he goes about getting a job, and he will look you in the eye and say, "Well, I have got to find an employer that wants somebody." There will be one-third more jobs in this country with one-third more employers.

Now let us go out on the street and pick out a man and say to him, "My friend, you are a good-looking fellow, why don't you become an employer and help create more jobs?" He will look at you, no matter how dumb he is, and say, "Where am I going to get the money?"

Therefore, I come to the simple conclusion that one-third more jobs means one-third more employers, and means one-third more capital accumulation. The three are inseparable. You can't talk about them individually.

Perhaps your bill should be entitled "A bill for one-third more employers," or it might be entitled "A bill for one-third more capital accumulation."

I am making the point that somebody in America has got to be willing to become a job maker. Somebody has got to take the responsibility of attempting to be a job maker and create job opportunities.

I would like to begin here in an elementary way. I think if you will study the record you will find this statement is true: The jobs of the future, to which you gentlemen look to solve this problem, are in businesses not yet born. That is a startling statement. It is very easy to look back into past history and see the development of things, but the moment we try looking ahead we are apt to crystalize and think of things in the present. If you don't think that statement is true, go back with me to the year 1900, and let us assume that in 1900 the regulations which made it very difficult for businesses to be born—let me call it birth control—had been imposed on business. What would be the situation today? If you will examine the well-known records, you will find that 50 percent of all the jobs that exist today are in businesses that were never heard of at the turn of the century. An as-

tounding statement. New businesses have sprung up, bringing with them an increase and an expansion in job opportunity.

Who starts these jobs? It is human nature; it is in the heart of every American boy to want to produce and to possess and to own. Inventors often start businesses, but the most likely class of Americans to start businesses are the men exactly like myself, a man whose entire life has been in the job of making jobs, a man to whom come the gadgets that the people want, brought to him by the inventor, a man whose constant study is the market, the whims of the buying public, which change in style and the kind of things they want. I am before you as a typical new-business starter, with a little income, with a little capital, loving the game.

Why do men start businesses? Men start businesses because they want to own a business. Nobody ever started a business for somebody else to own. Nobody ever wanted to start a business to mortgage it to some bank. Business starting is a very risky thing. Men start businesses in the hope of building nest eggs and owning them.

Now, what comes first? New businesses, or jobs, or capital accumulation? You will find, gentlemen, the starting of a business comes first. There are no new jobs until somebody starts a business, and business can be started on almost nothing. Then come a few jobs, then comes capital accumulation, and most businesses of this country have built their capital by plowing every dollar of profit back in to make the business grow. We are told that all the risk capital, capital that buys machinery, capital that puts men into industrial work, has been accumulated by the plow-back process, and it must ever be so, because men will not start businesses to give the ownership to somebody else, or to mortgage them. They want to plow back, and most little businesses take not a dollar out of it, but plow it back in.

So there you have the human nature of the jobs of the future.

I would like to analyze just a minute this problem of jobs, new businesses, and the accumulation of capital, which makes possible the buying of machinery—and let me say here that there is all kinds of capital in this country, but the capital that makes jobs is the capital that buys machines that make the creative jobs that make more jobs. All the money that is spent in buying a home, while it creates more jobs for that time, is gone when that home is built. It is a type of plowed-in capital that is so important to this country. If you will make a study of those three things, new business starting, jobs and capital, you will discover an interesting thing. They always go along just about together. Taking the figures from 1900 to the early 1930's, you will find that new businesses rose every year at a steady rate, the number of jobs rose every year at a steady rate, and the amount of capital accumulation rose every year at a steady rate, and, gloriously, the standard of living goes right exactly along with it.

You will notice in the early 30's that new businesses started down, jobs started down, capital accumulation started down, until 10 years later, in 1940, there were less businesses extant than there were in 1930, for the first time in our history, a most astounding fact, and one very vital to the subject you are studying, which is jobs, gentlemen.

Now, the characteristics of business through that period are very interesting. All through that period the job starter collected his wages from his customer, paid it to the job holders, plowed back what

was left and made more jobs, and continued the process. The variables of business in that time were style, the whim of the buyer, the skill of the maker, improvement of machinery, efforts to reduce costs, and all the trends of the curious, ever changing, volatile market conditions. The foundation on which all this was built was certainty regarding the value of money, confidence in the public credit, a steady tax system that never changed. And let me say here, give business a bad tax, if you must, but stop changing it. No man can plan to meet the volatile changing conditions of the market unless, in planning his business, he knows what his taxes are going to be.

Mr. HOFFMAN. Have you any over-all tax plan?

Mr. CRAWFORD. I am not discussing the tax plan at this moment.

Mr. HOFFMAN. I thought you said, "Give business a steady tax structure."

Mr. CRAWFORD. Yes. We will take any tax plan that stays stable for a period of time, so that we can adapt ourselves to it.

Mr. HOFFMAN. Have you any such plan to suggest to the Ways and Means Committee?

Mr. CRAWFORD. No, sir.

Mr. HOFFMAN. That is the trouble with you gentlemen. So many people condemn things, but don't give us any suggestion for a remedy.

Mr. CRAWFORD. I repeat, sir, anything that stays steady.

Mr. CHURCH. Even though, you said, it is bad?

Mr. CRAWFORD. Yes.

Let us examine our unemployment curve against this background. You will find the interesting thing that through these years, from 1900 to 1930, there was a variation in jobs and job employment for the entire period of from plus 2 percent to minus 2 percent. It was sometimes above and sometimes below. The requirements of that particular period, that is. That is a very significant thing. The chart here shows that a plus or minus 2 percent variation in unemployment or overemployment was not serious enough to disturb the American people enough to consider a full-employment bill or any other kind of a bill. It seemed to be a condition of expanding growth.

From 1930 on to 1940 we have another interesting examination of the unemployment curve. We find that unemployment went to an average of 10 percent, and sometimes as much as 14 percent, all through that period; and isn't it interesting, gentlemen, that new businesses stopped growing? There were less businesses in 1940 than in 1930, unemployment increased drastically and remained so. Now, why? How can we explain this relationship? It is very natural for the American people, for the worker, for many of us, to say that what we call free enterprise has failed. It is natural, I say, because a man gets his job from business, and when his job falls off, he says, "There is something wrong with business." And business he calls free enterprise.

I don't want to go into the reasons for the crash now, but I would recommend that this committee give serious study to the reasons for the crash. I suspect you will find that free enterprise, as I describe it, has very little to do with the crash; I suspect you will find the American people had entered a period of gambling; they had been at the roulette wheel of the market, gambling with borrowed money, money borrowed possibly on the knowledge of an expansion of credit

which, perhaps, should have been the responsibility of Government to watch and control. I suspect you will have discovered that.

Coming back to me and my business: I am a little free enterpriser. A careful examination of my business shows it had nothing to do with the crash. All through that period we improved our product, we improved our patented devices, lowered our costs. The productive process continued just the same through that period. The only thing in my business that changed in the whole period was the price of the stock, which was merely the chips the gamblers were playing for.

Who is to blame for that gambling? The bootblack, the minister. My minister ran \$5,000 up to \$200,000, and then busted. He couldn't get his sermon through fast enough to run to his broker. I think you will find it was that speculative element, that great emotional period in American life, which was under strain; and free enterprise had nothing to do with the crash.

However, immediately following that, and based upon the assumption that free enterprise had failed, a new thing came in American history, a new thing, unique in our history, a complete change in Government policy toward the operation of free enterprise or business. There immediately came a vast spending that brought huge taxation, and constantly changing taxation, which, as I have said, proved very harmful to the making of business plans. And with that came vast administrative controls, constantly changing rules of the game. The whole foundation on which our little businesses rested began to change. The value of money changed, many things changed, including the practices on which we were founded. Complete control of labor relations passed from the hands of the little fellow who sits across the table from Joe, who wants the job, to the hands of a Government bureau, and there, gentlemen, is one of business' greatest problems, the relationship between management and men, the human relationship, a relationship that never will be solved except at the level of the plant, between management and the men.

That passed out of our hands to the bureaus, and a period of restriction came, a period of restriction at every turn in our labor relations, in the use of credit, in what we could do in starting business. Gentlemen, the imposition of birth control upon new business came, and that is the result. That is the reason that new businesses began to decline.

Billions were spent, yet unemployment increased, and it took a war to bring employment back to where it had been; it took a great war to stop the unemployment trend. Can it be that the entry of Government into the business field brought this thing about? Can it be that vast spending and the taxation that went with it brought the birth control that ended new business venture? Can it be that administration that so hampered business at every angle and took the flexibility out, that limited a man and froze so many things—can it be that that has ended the formation of new businesses and resulted in lost jobs?

MR. HOFFMAN. Is that your contention?

MR. CRAWFORD. Gentlemen, I am putting it first in the form of a question, and then I will attempt to answer it from my point of view.

MR. HOFFMAN. You don't want to answer it now?

MR. CRAWFORD. I will in a minute.

At any rate, new businesses stopped growing as these restrictions came in, and I point out it is the first time in American life that—

Mr. HOFFMAN. Have you any copies of your statement?

Mr. CRAWFORD. No, sir; I am working just from notes.

I want to tell you what the job maker believes; I want to tell you what the man who ultimately will be called upon, no matter what you do, to hire the person who wants a job believes. Every intelligent, serious thinker, every job maker, every business starter, who thinks seriously believes that that is the truth, believes that the new Government policy, which was new in American life in the thirties, has caused the restrictions and the birth control. These policies have transferred a great number of people from the class of job makers to the class of job seekers. We believe that many Americans want to own a business, but today it is significant that they will settle for jobs. That is an extremely important thing in American life, because somebody must be the job maker.

We believe with all our hearts that a half million new business starters have been discouraged and have quit because of the policies that were introduced at that time. We believe with all our hearts that the present bill, H. R. 2202, has more of the same policies in it. We believe the policies of this bill were adopted in 1932 and are still operative. We believe this bill merely restates what has been in effect for 15 years and is now in force, and has brought these results to the business starter. We believe this bill will write new business completely into the law where it has been temporarily.

Mr. COCHRAN. Will you point out, right there, where it does?

Mr. CRAWFORD. That is the whole purpose of my talk. Later on I will develop that.

Mr. COCHRAN. You said you believe that. Where is the language in there that makes you believe it?

Mr. CRAWFORD. May I continue my talk and develop that later?

Mr. COCHRAN. That is the first time that you have referred to this bill since you started talking. We are considering the bills here, not what happened back years ago.

Mr. CRAWFORD. May I answer that by developing this?

Mr. HOFFMAN. Mr. Chairman, with all due respect to the witness, I think Mr. Cochran is laboring under the same handicap I am. The gentleman talks so fast and puts so many ideas before us, one fact after another, that I, at least, am unable to follow through on each one and grasp the foundation or learn the foundation from which he draws his conclusions. With all due respect, may I say that while as an oration or as a speech your statement is fine, when we come to weigh it, unless we know more about what Mr. Cochran just asked—the details—we don't get it.

Mr. CRAWFORD. Let me summarize to this point and simply say that somebody must be job makers if there are to be jobs; that in 1940 there were less job makers than there were in 1930.

Mr. HOFFMAN. Less what?

Mr. CRAWFORD. Less job makers. That is a significant factor in American life, and it is first time in history that was true.

I would like to examine the bill very briefly in its part, and I am talking, gentlemen, from the point of view of the job maker, and the effect of the bill on the making of new jobs.

It seems to me a strange thing that in 1945, after all these years, the American people want a full-employment bill. Never before have we wanted one. I think they want it because we are looking at the experience of the thirties, which was tragic in American life. I think the experience of the thirties are based on a misunderstanding. I think American people believe that free enterprise was the cause of our difficulty, and I am trying to make the point that, from my point of view—that of the job maker—the actions taken by the Government through the thirties is the reason why little businesses have ceased to grow, and I am going to give three definite examples why today I am unable to start the business that is ready on my desk to be started.

It seems to me strange that in America, Americans have to restate the purpose of government—to help the general welfare. I think that is the purpose of government. I think the whole bill is founded upon the experience of the thirties, and that the experience of the thirties is not typical in American life. However, we agree with the object of the bill, that we should have more business and more jobs, and more protection, and a higher standard of living. We all want it.

The second thing in the bill I see is the National Budget. That is all right—the more budgets we make, the better—but to a businessman looking at this, he points out to you first, "Estimate the expenditures of consumers, the expenditures of private enterprise." That is the most volatile thing in American life, that is the whim of the public. That is the most unstable, changing thing in all American life. In my own company I try constantly to estimate the volume of consumer purchase from me. I don't know from day to day what it will be. Every week I have to change my viewpoint. My orders read that I shall supply the requirements of the customer. I ask him what are his requirements; he says he doesn't know. Automobile orders read that way. The automobile companies say, "We don't know how many cars we are going to make. It depends on whether our car is popular, and we sell them."

The CHAIRMAN. You should hire a Government economist; he could tell you.

Mr. CRAWFORD. Perhaps I should. In my industry there is not, and cannot be, any accurate estimate of consumer consumption. That must be left flexible, day by day, so that it can be changed.

I have been interested in a study of the subject of savings. I have noticed that even that does not follow logic. When times are bad, savings rise; when times are good, savings go down, exactly the opposite to what you would expect. So that even that figure doesn't indicate anything.

Today this Government is doing immense amounts of spending, but one agency says that inflation is ahead and that wages must be lowered; another agency says that deflation is ahead and wages must be raised. We can't even decide whether tomorrow we are going to have inflation or deflation. I don't see, gentlemen, how you can base anything on an estimate of consumer consumption. My wife doesn't know today what she will buy at 10 o'clock, when she goes to market.

Next comes a recommended program based upon consumer expenditure, private-enterprise expenditure; then you will undertake a program which recommends changes in policy, changes in monopoly—what does that mean? Changes in wages, changes in taxation, changes

in the value of money. Gentlemen, in the business world, we do exactly the opposite. In the business world the variable is consumer consumption; in the business world the one foundation on which we base all our planning is fixed taxation, sound money——

Mr. COCHRAN. Do you plan in your business?

Mr. CRAWFORD. We plan constantly and daily.

Mr. COCHRAN. Have you noticed in this bill that it is a bill for advance planning to meet a situation if it develops?

Mr. CRAWFORD. And it is a bill to plan in that field in which I plan——consumer consumption.

Mr. COCHRAN. You use advance planning, so why should you object to the Government providing for advance planning to meet a situation such as you describe as existing in 1930 which caused the Government to come into the picture to help the people, feed the people, clothe the people, and house the people when they couldn't get any of the jobs you are talking about from free enterprise?

Mr. CRAWFORD. In my business I plan the same things you plan, and I can't plan one week ahead. Consumer expenditure and business expenditure depend upon the constantly changing whims of the American buyer.

Mr. COCHRAN. If we had planned for projects of all types, lasting projects, when we did have to step into the picture to relieve the situation at the start of the depression, we would have had something to work on rather than put people to work raking leaves.

Mr. CRAWFORD. Yes, sir. However, I believe the objection to this type of planning is to basing your plans on the most volatile thing in American life, the whim of the public, and using that figure, and then turning around and changing the things which are constant things in American security—the value of money, social security. Those are the things that must be stable. And if you estimate a consumption figure, and from that you turn around and start changing the value of money or rate of taxation, or the amount of social security taxes, or the policies of banking, and so forth, you knock the whole foundation out from under free enterprise, and there will be no business left at all.

Mr. HOFFMAN. Don't you think it absolutely necessary to change the tax plan if, for example, the present plan does not produce enough revenue, or reduce it, if it produces too much?

Mr. CRAWFORD. I believe, of course, taxation should depend on the amount needed for revenue, but when taxation is changed to fit a figure that you have estimated, which concerns only consumer consumption, which you have estimated, and which no one in the world knows anything about, not even the buyer——

Mr. HOFFMAN. Taking your own argument, you would say the whim of the public makes it impossible for you to plan ahead. Doesn't the whim of the public as to what they will buy, also affect the revenue, and doesn't that make it impossible for us to have a fixed, rigid system of taxation?

Mr. CRAWFORD. That is right.

Mr. HOFFMAN. Then, why tell us that we should take any one tax plan, whatever may happen—even a bad one, as you say—and stick to it. Don't you see that the best experts that the Ways and Means

Committee are able to get never could tell accurately how much a new tax bill is going to produce?

Mr. CRAWFORD. Yes.

Mr. HOFFMAN. Then along comes another year, and business wants less in taxes, and individuals want lower taxes, lighter taxes, and at the same time they are asking the Appropriations Committees for more money. Don't we have to cut our cloth from year to year, from season to season, as we go along?

Mr. CRAWFORD. Of course you do.

Mr. HOFFMAN. Then why do you say we should have a rigid taxation plan? That is what I can't understand.

Mr. CHURCH. You want the least change possible?

Mr. CRAWFORD. Yes, sir.

Mr. CHURCH. The rates must of necessity change.

Mr. CRAWFORD. Let me say to you that the whole point of my speech is that the actions that started in the thirties have knocked the foundations out from under business, so that new businesses, because of restrictions, cannot be started, and that is the cause of job unemployment in the long run.

Mr. HOFFMAN. I can agree with you that—

Mr. CRAWFORD. Also may I say, sir, that during this period that taxes have changed so constantly, and the tax bill change came so late, that no one in business knew in October what his taxes would be in January, so there could be no sound business planning.

Mr. HOFFMAN. I am not a member of the Ways and Means Committee, which deals with tax legislation, but don't you know, as a matter of fact, that a great part of the delay has been due to the insistence that this or that tax be imposed or not imposed, and that the committee is badgered all the time with requests and pressure from various special groups?

Mr. CRAWFORD. That is no doubt true, sir.

Mr. GIBSON. I think he said that his problem was because of the whims of the public. And that is what you say the tax thing is—that they have been delayed by various pressure groups.

Mr. HOFFMAN. Sure.

Mr. CRAWFORD. Sir, I am making this point; that I am trying to find where there are any new businesses in which the jobs of the future will come.

Mr. COCHRAN. Right there. Will you show me anything in this bill that would prevent you, as a businessman, from starting a new business? Read any line in this bill, or the Senate bill, that prevents you from starting a new business, or anything in this bill that prevents you from producing that which you want to produce. You say that business wants to be free to produce. Is there anything in this bill that is going to prevent that?

Mr. CRAWFORD. I think a very serious thing will, sir. The business planner is faced with the fact that every 90 days there will be a review of this volatile consumer demand, and that possibly the policies of banking and currency, perhaps the free flow of money, may be changed; taxation may be changed.

Mr. COCHRAN. But is there anything in this bill that changes the value of money?

Mr. CRAWFORD. The bill—

The CHAIRMAN. I think I can answer that question.

Mr. COCHRAN. I don't want you to answer; I want the witness to answer.

Mr. CRAWFORD. The bill calls for the President to recommend the changing of these things every 90 days to fit the estimated figure of production.

The CHAIRMAN. Let me ask you this question; if the Federal Government is to assure a job to everyone, knowing how hard it is to get a person off the Federal pay roll, once on there, do you think that if I were to go out and undertake to create a new business, I could ever get any employees for the new enterprise, if they knew they were going to get a job on the Federal pay roll?

Mr. CRAWFORD. You would have great difficulty.

The CHAIRMAN. Doesn't that answer Mr. Cochran's question?

Mr. CRAWFORD. In answer to Mr. Crawford's question—

Mr. HOFFMAN. Mr. Chairman, you answered Mr. Cochran's question for the witness. I am not a businessman, but if I were, I would say that on page 3, subparagraph (e), lines 8 to 12, inclusive, you have your answer, because it creates a fear in everyone's mind that Government is going to come into competition with private business and provide the funds to do it.

Mr. COCHRAN. This simply says, "To the extent that full employment cannot be otherwise achieved." That is, at the outset. Otherwise, the Government doesn't step in at all, unless it is determined that free enterprise cannot provide jobs—that full employment cannot be otherwise achieved.

Mr. HOFFMAN. That is right.

Mr. COCHRAN. So that gives free enterprise a clear field to go ahead and take care of the situation. It is giving you and every other citizen in the United States who desires to start a new business, the opportunity to start that new business.

Mr. CRAWFORD. Mr. Cochran, you are depending upon private business and free enterprise to make these jobs, and then you state that if your study, which may not be right, indicates private enterprise will not take them up, you then hold over them the fear constantly that the value of money, taxation, and all the other things on which business bases its plans may change every 90 days, and you knock all the opportunity out of business to try to create the jobs and keep the jobs going so that the Government does not have to come in.

Mr. CHURCH. Will you yield there?

Mr. COCHRAN. Yes.

Mr. CHURCH. Mr. Crawford, assuming what Mr. Cochran says, that the program is planned so that there will be full employment—

Mr. CRAWFORD. Yes.

Mr. CHURCH. And if we don't have full employment, the Federal Government gets up a program of projects—

Mr. CRAWFORD. Yes.

Mr. CHURCH. Where is there left anything for these little people to start new businesses?

Mr. CRAWFORD. Absolutely nothing.

Mr. CHURCH. What is left for them?

Mr. CRAWFORD. Absolutely nothing.

Mr. CHURCH. Where is the encouragement? Would you, or a banker, or any investor—

Mr. CRAWFORD. Absolutely none.

Mr. CHURCH. Encourage that newly formed business?

Mr. CRAWFORD. Absolutely not.

Mr. CHURCH. Which makes jobs?

Mr. CRAWFORD. None, sir.

Mr. GIBSON. Doesn't it go right back to the proposition of human psychology?

Mr. CRAWFORD. Absolutely.

Mr. GIBSON. Mass psychology is different from individual psychology. The Government stands out as the great Santa Claus. The American people many times do not have the initiative they ought to have, but the Government says, "We will take care of you if you don't work."

Mr. LaFOLLETTE. May we proceed, Mr. Chairman?

Mr. GIBSON. Just a minute. I am recognized by the Chair, and I am going to proceed. Isn't it perfectly natural—

Isn't it true that the psychological effect will be that they will decline to take employment at reasonable wages with private enterprise, and therefore before the thing ever starts, it will break down the effort to create employment?

Mr. CRAWFORD. That is true. And starting a business is a tough job; it is a job of heartaches and loss, and it takes great courage, and there will be no new businesses in the future to take up the slack in jobs; and, gentlemen, if every 90 days there is a possibility that my Government will have a new program on banking, monopoly, wages, working conditions, I cannot plan. I base my whole business and take my contracts for a year, and after that I can settle my wages for the year. But if, every 90 days, there may be a new policy on foreign trade and investment, on taxation and all these other things on which I have got to base my estimate to go into business, you are just going to put obstacles in the path of the willing job starters, and you are going to instill in him such fear that he will say, "What is the use of starting a business, when the very foundation on which I want to place my business may shift and change every 90 days."

Gentlemen, you have got it reversed. You should first plan for sound money and sound banking, and such things, and then let private business, on a guarantee of sound foundation, attempt to produce the goods that will flood this country with new business and jobs. Otherwise, I think we approach it backward, and in a manner that will just fill the mind of the business started with fear.

I want to start a business, but I certainly won't start a business if my working conditions and the value of the money I use can change every 90 days, or a recommendation for its change can be made. Business stands on those things when it finds what they are. Business stands on those things and plans accordingly to furnish something to the market which will pay the wages. I pay no wages; the customer pays the wages. The buyer in this country is supreme; the buyer is cruel; the buyer sits on a throne every morning and decides whether I shall live or die. The buyer has whims of style, whims of demand, fears, and rumors, and I must watch that buyer and plan to please him. But if, in addition to that, every 90 days the Government may change my taxes, may change the value of money,

my labor relations, the whole thing on which my campaign is based, certainly no new business will be started. It just can't be done; it knocks the foundation out, all certainty is gone.

Now, gentlemen, I want to point out that it seems to me, as a job maker at his task, struggling with the problem, all these things evidence the difficulties of the period of the thirties. All that has been going on since the thirties. We had a change in labor relations, we had a change in the value of money, we had a change in everything you mention here. It has kept us in turmoil, and that, perhaps, is the reason new business growth declined. I believe you will find that to be so. I will ask you if it is not exactly like playing a football game, where you listen to the volume of cheers in the stands, and then change the length of the field, the number of downs, and that sort of thing. No new business can survive under that sort of conditions.

Now, I want to go to the third thing in the bill; a thing which has been in the bill for 10 years, and which is a cause of lack of business. It is Government spending. The definite thing in this bill is that if other things do not work there shall be spending. What is new about that? We have had a program for 13 years. We have had volumes of testimony upon the effect of public spending.

I have a chart here which shows that enormous variations in public spending have changed total employment very little. An astounding chart. It shows that with spending going from 3 to 90 million dollars, there was very little difference in gross employment in this country.

Perhaps there isn't the direct relationship between spending and jobs that we assume there is. Business makers and business starters believe that a Government-spending program will not cause jobs, and we believe that it will cause unemployment, and we ask you, sirs, to look up the record all through this period where spending has been practiced by the Government, and you will see it never solved it. It took a greater and a bigger war to get us back to where we were before. It won't work, sirs.

Let us consider for a moment Government spending. There are several kinds of Government spending. There is the proper kind, the development of roads and dams and public works. No citizen should dredge out a harbor. Those are Government jobs. But those are jobs that do create the creative employment like a machine in a factory. You go beyond such proper Government spending as dams and take some other great venture. You may build a great building somewhere, but when that building is built the jobs are over. It cannot be the recreative job-making type of expenditure unless you buy a factory and machinery. When I put \$6,000 in a machine a man stands at it and produces \$12,000 worth of useful goods. He stands there and earns two or three thousand dollars a year for the next 20 years. That is creating more jobs and the money turns over and over.

Now, whenever government attempts to employ the people of this country it will come up against this fact: That it must depart from the dam and road type of spending, it must buy machinery and enter the ranks of recreative machinery and the job of producing type of business which belongs to industry. The moment you buy machinery,

I quit; the moment you pass beyond that type of job like building a dam or a building, which makes jobs temporarily and then is over—whenever you pass beyond that, you can kiss all free enterprise good-by, and the whole thing will be yours, and you will be on your way to the Russian system.

Can I illustrate that with a somewhat amusing story? Nineteen-thirty-eight was a bad year. My own company, after careful, streamlined budgeting, came out with a plan. My taxes were \$200,000, I believe. I sat down and figured what I could do with \$200,000. Gentlemen, in industry, the engineer and the salesman are well ahead of the ability of the treasury to finance these new things. With that \$200,000 I could have bought 30 machines and put 60 men to work. I would have produced \$500,000 of useful products for 20 years—the life of the machine—which is \$10,000,000, recreating and turning over and passing into the channels of trade. My men could have earned \$2,400,000.

But the Government had a spending program that year that they thought was a necessary one. They took the \$200,000 from me. It was carefully considered in the year 1938 that we wanted no more leaf raking; we didn't want to sift the dump over any more, so they said, "Let us have a useful thing in this expenditure."

Cleveland is a forest city; the foresters always wanted to know what trees there were in Cleveland. That was a very beautiful subject: "We will appropriate this money to a civic and cultural use; we will count and record the trees of Cleveland."

And, gentlemen, in that year, when I was denied the right to put my money into capital which would recreate itself, that money went into Government expenditure. And let me show you the difference: Business puts its money into capital which goes on and creates more money. Government expenditure is largely an expense. Anyway, an army of men went to work with pencils and pads to count and record the trees of Cleveland. The first one they came to, perhaps, was a little tree. One man said, "Oh, that's not a tree; that's a bush." The other said, "No; it's a tree." Well, they tossed a nickle. It came down tails—"It's a bush; don't record it."

Months went by, the trees were counted, and there were exactly 200,000 trees in Cleveland. There is a dollar bill of mine attached to every tree in Cleveland, but we had those trees counted and knew what they were. But when the job was over and the money had been spent, there was no recurrence of job possibilities.

Mr. HOFFMAN. But what the advocates of this bill say is that that created, in the hands of these people who received the \$200,000, purchasing power that enabled them to buy your stuff.

Mr. CRAWFORD. Sir, that went from their hands for a meal or a cigarette, and back in the bank for two or three turn-overs. When that money comes to me, it turns over many times; it ceases to be expense and becomes capital, and capital is creative, and capital causes jobs for years to come. It earns and produces. That money in my business could have earned \$50,000 a year profit and recreated more jobs.

Mr. HOFFMAN. Do you mean it would have made more jobs than existed for those fellows who were counting the trees?

Mr. CRAWFORD. It would have earned and created—it would have earned money to start new businesses and create new jobs, and it goes on, and on, and on.

Mr. GIBSON. In other words, the trees ran out, there were no more to count?

Mr. CRAWFORD. We had this record of them. But some years later, a heavy wind blew some of those trees down, and nobody knows how many trees there are in Cleveland today.

I tell that amusing story to illustrate that business plows its money back into business and is creative.

Mr. HOFFMAN. There is another argument the proponents of the bill make, which is, in the interim while you were getting your machines and getting ready to produce these jobs and produce more capital and produce more goods, the individual in Cleveland might have starved. That is why they took that \$200,000 away from you, I gather.

Mr. CRAWFORD. Sir, you open up a very wide subject. Nobody has ever starved in America. It is a generous Nation. The best way to handle emergency situations of that kind is on the local level; that is the way to handle them. But the fact remains that the job making that might have come, the new business that might have come from industry's use of that money went for another purpose, and now it is spent and gone.

Mr. HOFFMAN. The answer to that is it was necessary at that time to keep people from starving. I am only restating their arguments.

Mr. CRAWFORD. I see. I am making the point, however, that in this country there is an obligation to those who work and produce, as well as to those who do not work, and in the handling of that situation, sir, don't destroy the opportunity to start business, don't destroy the free, expanding job-creating possibilities of this productive system that we have.

Mr. COCHRAN. The way to keep from destroying that system, as I follow your thought, is for the Government to stop taxing you, and let you use your profits to reinvest in your business, which will automatically create jobs.

Mr. CRAWFORD. Sir, the way to aid business is in starting new business, which will create—

Mr. COCHRAN. That is what I asked you.

Mr. CRAWFORD. Is to remove the host of restrictive things which were done through the thirties.

Mr. COCHRAN. In this bill?

Mr. CRAWFORD. Just as they are in this bill.

Mr. COCHRAN. In this bill now, where are there any restrictions?

Mr. CRAWFORD. A change every 90 days in the foundation on which my business stands is extremely restrictive. The spending of money for public works does not, in my opinion, solve unemployment, and is extremely restrictive. It leads to heavy taxation which results in severe hardship.

Sir, can I for a moment give you the difficulties of the job starter?

Mr. COCHRAN. I think you have made that statement three or four times.

Mr. CRAWFORD. I have on my desk today a device which would improve the home, make less work for the housewife, would make a business in which undoubtedly there would be jobs. It is a perfect example of the thing that will provide the jobs of the future, and which your committee is concerned with.

Mr. COCHRAN. If you put that on the market, you will create more jobs?

Mr. CRAWFORD. Yes.

Mr. COCHRAN. By employment of men to manufacture this article you say you have on your desk?

Mr. CRAWFORD. Yes.

Mr. COCHRAN. And you say if you put that on the market the housewife who buys it is going to be able to take care of her home more efficiently?

Mr. CRAWFORD. Yes.

Mr. COCHRAN. With the aid of this machine, so that it lessens the work in the home?

Mr. CRAWFORD. Yes.

Mr. COCHRAN. Would that have a tendency to cause the housewife not to employ those that she required now for service?

Mr. CRAWFORD. It might enable them, perhaps, to go out and work part of the time; raise her standard of living, buy a home, build a new home. It may lead to anything.

The CHAIRMAN. This article you are talking about will reduce the number of hours she will have to work?

Mr. CRAWFORD. No; it makes it more convenient to keep house. I am a job starter, and I am saying to you that for many, many years in America, up to the early thirties, jobs started, and there was no unemployment problem in America, only plus or minus 2 percent. Then starting in 1930, new in American life, the Government undertook to spending heavily and to increase taxation, and it undertook at regular intervals to change the following things—banking and currency, monopoly, competition, wages, and working conditions. They have been changed. There is no Government wage policy now. A manufacturer today has not the slightest idea what the Government's wage policy is—the closest, most vital relationship in the making of jobs. It changes every day. You propose to change it every 90 days. Foreign trade and investment, agriculture, taxation, social security—I am saying that when the Government began to do the thing your bill requires the President to do, that is when new businesses ceased to be formed and the uncertainties came, and the unemployment problem shifted from the backs of the new-business makers to the Government. We want to get it back where it belongs.

The CHAIRMAN. Will you come back for a moment to the device for the housewives? I am interested in it. If this device reduces the number of hours the housewife has to work at home, then under this bill we would have to give her a job, because she is not engaged in full-time housekeeping.

Mr. CRAWFORD. If her house cost a little less, perhaps more people would buy houses, and that would stimulate private jobs.

The CHAIRMAN. In section 2, paragraph (b) we have to provide her a job if she is not engaged in full-time housekeeping.

Mr. HOFFMAN. She can get married and buy one of these gadgets.

Mr. GIBSON. As the chairman says, if it doesn't take her all day to do her housework, we have to hire her.

The CHAIRMAN. We have to give her a job.

Mr. CRAWFORD. I have had many, many women work for me, and I find that the biological urge sends many of them home and takes them off the pay roll, because after 9 months the doctor says, "Susie, you better stay home a while."

The CHAIRMAN. Of course, we are going to also provide nurses to take care of her children, so that she can work.

Mr. CRAWFORD. I want to tell you this: Many of the restrictive measures which prevent me from starting a business were imposed in exactly the spirit, through the 30's, that this bill would impose them.

I shall start on taxes, as No. 1. You must admit that our taxation is heavier because of the policy of spending. First of all, I would like to take income. I am a job starter; I have a little income. I will take my income and invest it in a new business and start it. I get my pencil out and I go over this thing, and this is what I find. In the business I worked for 29 years, struggled to build up, on a capital of a thousand dollars, I have accumulated a profit of \$100. Uncle Sam takes \$80 and leaves \$20 in the business. If I take all of that out and pay taxes, there is exactly \$2 that I have left on the capital I have put in that business.

You say you will remove the excess-profits tax of 40 percent. I have accumulated \$1,000 in business A. I want to take it out of business A and put it in business B. The excess-profits tax is 40, which leaves 60. There is six-tenths of one percent left.

That is the application of taxpayer taxation, which from the angle of taxation resulting from the policy of spending has put me out of business.

Mr. HOFFMAN. Just a minute. What the proponents of this bill say is if you don't put that into new business, and you can't, because it is so small, the Government will take it and make it its business to provide these jobs.

Mr. CRAWFORD. Why do men start businesses? I start a business to own it. Pride, to own a business myself, and that sort of thing. I don't start it for others. I don't start a business for the Government to come and take it.

Mr. HOFFMAN. You don't get my point. You say that because the Government takes it you cannot start a new business and give jobs.

Mr. CRAWFORD. That is right.

Mr. HOFFMAN. The proponents of this bill say that the Government will take it and give them jobs.

Mr. CRAWFORD. There will be no new gadgets when the Government gets into business.

Let me go to the second one: Capital. Twenty years ago I entered a new business. To keep it alive I put some money in and I got a little nest egg, which is not large. My wife says, "Let us transfer a part of the capital from company A to company B. Company A is not sound; let us put it into B, and start a new one." She says, "Let us start the new one and see it grow."

So we take a thousand dollars from company A and sell it out, and put it in company B. And from that \$1,000 Uncle Sam immediately takes \$225, which he says is a capital-gains tax. Sir, that is my capital; that \$1,000 had been there many years. I can have the thousand dollars if I leave it in business A, but I can't have it if I transfer it to B and make a new business. That capital-gains tax is a bad tax; it prevents job starting. It prevents job starters from moving their money from A, which is not successful, to B, and starting a new one.

I won't give up one-quarter of my nest egg, which I want to live

on in my old age, to start a business. It is too tough a penalty to pay; it is birth control.

I want to give you another case of the result of the policies in the bill, established in the thirties, which have destroyed the ability to start a business.

Again, taxation: I started two businesses in the middle thirties, to prove it could be done. I have a thousand dollars of capital in each. I will take the unit of a thousand dollars to compare them. One business failed, the money is lost. The other, after 6 years of heartache, and struggle and loss, caught hold—and all businesses start that way. It now employs a hundred men, and a thousand have jobs throughout the country because of the work of these 100 men. I earn \$100 on my capital of \$1,000. The taxes are \$40; that leaves me \$60. If I draw that out of the business and put it in my pocket, there is \$6 left, six-tenths of 1 percent, and to get back my losses on the business that failed will take me 166 years from the total earnings I can take out of the business that didn't fail. Sir, that is birth control. Nobody start a business under those conditions. That is what, based upon the same philosophy of spending in this bill, and actions under this bill, has resulted to stop people from starting businesses.

I want to take one other restriction. Sir, this bill will lead to further restrictions that prevent new business. I will take one other. You cannot carry out that bill and its ideals without a multiplicity of overriding administration.

Mr. HOFFMAN. Mr. Chairman, may I interrupt? May I ask unanimous consent, in view of the fact that this witness has not any prepared statement, that Mr. LaFollette, a member of the committee, who also has a bill here, be permitted to interrogate him as he goes along? Is there any objection to that?

Mr. CHURCH. Mr. Chairman, I certainly do not—in fact, I insist on that principle. That is exactly what I was insisting on a while ago. I think Mr. LaFollette, even though he refused to answer my questions yesterday, should be permitted at this time, or at any time, because he has a bill, to question this witness. I hope he will question him immediately.

Mr. LAFOLLETTE. Mr. Chairman, my feeling about this is very obvious. I know Mr. Hoffman is asking in good faith. I do want to examine this witness when he has finished. I am hoping, sir, to do that. Really, I think you are intruding a little on our time, to hear a lot of stories of your personal life that do not affect the bill. I know you have had a lot of vicissitudes and I am almost in tears over some of these things.

Mr. HOFFMAN. That is why I would like to have you ask him about it.

Mr. LAFOLLETTE. I don't care to interrupt you until you have finished your statement. I think you are entitled to finish it, but I hope sometime within the next day or two you will finish.

Mr. CHURCH. The gentleman is not intruding on our time one minute. I think it is the best statement that has been made before our committee. The gentleman is not intruding. The gentleman who has just spoken, we listened to here all day yesterday. I hope Mr. Crawford will continue and not be shut off.

The CHAIRMAN. The committee will be in order.

Mr. COCHRAN. Well, I don't think we can go along until the time for adjournment and have everything the witness says on the record, and have the record indicate no question or disagreement with what he says. The chairman says we should proceed in the regular order. I think the regular order now is the gentleman not having a prepared statement, the chairman should recognize any member of the committee who wishes to ask him a question on the testimony given up to this time.

Mr. HOFFMAN. My motion was directly to that point.

Mr. CRAWFORD. Gentlemen, I am nearly through. I am only here to help. You have got a terrible job; you are dedicating your bill to jobs in free enterprise. I am free enterprise. I am the fellow that has got to give the jobs, and I think, perhaps, my opinion on the problem and on what your bill will do to aid in the problem, might be of value.

Mr. HOFFMAN. I think it is.

Mr. CRAWFORD. I want to say again that I think the policies of this bill which call for 90-day changes, which involve constant changes in the foundation of what business stands on, is probably one of the great causes of the lack of new business. And, consequently, without new business there won't be jobs.

Mr. COCHRAN. The very statement you made just now will be found in the record at least half a dozen times.

Mr. CRAWFORD. I would like to give a single example of the things that have brought birth control. During the thirties many things were done in a spirit of good faith to help along the American way of life. One of the most important things in business, one of the most vital things, is the relationship between labor and management. That is one of America's great problems that is unsolved today. The Government took that over. For many years, little businessmen, and their employees, got along. The Government has taken over that control.

I would like to describe to you very briefly the restriction and birth control imposed by agencies set up in good faith, which haven't anything to do with making new jobs.

I take the NLRB. In 1937 the Supreme Court sustained an agency called the NLRB. The NLRB started, in good faith, to help make new jobs, help American industry make things run smoothly. Let us look at the result. My plant has had absolutely no internal trouble. There hasn't been, within my plant, generated a problem that labor and management did not settle. Yet, since 1937, this agency of government has brought 246 actions against me, 32 lawsuits—32 times it has dragged me into court—182 compulsory arbitrations, and 9 elections; and 7 independent unions have been destroyed. For 7½ years there has been no bargaining of any kind. My employees are denied their rights under the Constitution. One hearing lasted 9 weeks, one hearing lasted 13 weeks, and covered 10,000 pages of hearsay testimony; the time of executives was consumed, hour after hour, 100,000 hours of labor were taken out of my plant in the midst of war; there was over \$300,000 in costs to my company, \$74,000 being attorney's fees to fight cases.

I haven't a single labor problem that has arisen in my plant. Why has all this happened? Because this agency of government,

set up with all good intentions, has undertaken to impose on my company a monopoly granted to an organization. You can take my company as a citadel on a hill, with no problems, and NLRB over here, with artillery lobbing shells into it.

That agency took me into court to get out an injunction against my talking to the men.

That is a record of administrative injustice that stinks to the high heavens. You ask me why new businesses are not formed; you ask me why it is birth control. Is it worth trying to make a business under such a performance as that? And I name one single agency, starting in good faith.

Gentlemen, if you want jobs, return labor-management problems to management and labor at the plant level. Why start a business? I am saying that all of the operations of government which are proposed in this bill have been operating for 10 years in America, and they have operated in many cases tragically, and you have not examined to see what the result of these things has been, the impact on free enterprise and new business, and I come in here and tell you of an agency of the Government that enters my plant, where I have no internal problem, and puts on that disgraceful performance. From that I can only come to the simple conclusion that there will be no jobs in the future without new business, and if you gentlemen get the Government viewpoint of jobs, if you put the starter of business out, the whole philosophy of supporting the American people by spending is ended. There will be no new business started. Free enterprise will be put out of business.

Nothing that you have here is a new thing in the policy of Government spending and regulation. There will be no new business under this. I believe, sir, that the policies of this bill have failed; they have been in operation. The net result has been a restriction and control that has put business out of new businesses. You cannot go all the way on spending, when you put us out, unless you take over the factories.

For 12 years American business has begged Congress to review the restrictions and birth control, and the effect of the spending policies and the administrative agencies that have taken over our functions. Our plea has been, "Just look at them and see what they do to it." Put the establishment of new jobs against these restrictive things and see if you can't understand why new business stopped.

This is a plea to restore to the American businessman a chance to make jobs as he made them for many generations prior to the introduction of the policies of this bill.

There are more jobs today in the minds of inventors than in all the acts of Congress; there are more jobs in the minds and hearts of competitive Americans, who would start business, than anything you can write in any bill. You have to get them out of those minds, and you can't unless you remove these restrictive things I have described.

You didn't expect that the administration of NLRB would do such things as that. You set it up to help me. It has done nothing but hinder and destroy the chance of making business work.

Now, I want to repeat one thing; no matter what the purposes are, no matter what the budget is, no matter what your plans are, I question, in American life, if any bill with a tail of Government spending, in this turmoil, political pressure age, any bill with a tail of Govern-

ment spending can ever resist the pressures that will be made. This is a policy bill, this writes on the books of this Government, and tells the American people—and who are the American people? No matter what the words are, every American citizen will say, "I don't have to worry or work; the Government is going to take care of me." I don't care how you change the wording; that is the tragic thing in the minds of Americans, and the pressure will be overwhelming to override everything else and go into a spending program.

Sirs, I ask you to consider this seriously; I am deadly serious. I love the American productive system. It is my life. I have seen it work; I have seen it forced to slow down. Remove these controls. You don't need any bills. Take NLRB and find out how it has destroyed business. Take taxation, and make your study to determine what periods you can fit the tax to the spending program for, and then tell us that for 24 months we can count on no retroactive changes.

Take a look at the top brackets, which are tragic in your whole program. You didn't write them there with the thought that it would help or hinder new business, but when they were put there they just destroyed the chance for many a man to start a business who wants to start.

Having been actively in business for 29 years, and having poured my whole heart into this business life, which I love, I hope you will take these suggestions in the spirit in which they are offered. I hope you will go back to the fundamentals and examine these restrictions.

Mr. GIBSON. Did I understand you to say that the Government had recently enjoined you from talking to your employees?

Mr. CRAWFORD. Last Wednesday my Government dragged me into court to enjoin me from talking to my employees. I read the Constitution and said that I believed what it said. My time and my people's time was taken up defending the injunction suit, and finally the judge threw it out.

Mr. GIBSON. What agency initiated that?

Mr. CRAWFORD. The NLRB.

Mr. CHAIRMAN. Do you have a copy of H. R. 2202 before you?

Mr. CRAWFORD. I have; yes.

The CHAIRMAN. Will you turn to page 2, paragraph (b), line 3. You will notice a statement there. I wonder if you would object to adding a new paragraph to that bill, providing as follows:

In the United States work is a duty and a matter of honor for every able-bodied citizen in accordance with the principle that, "he who does not work, neither shall he eat."

Would you have any objection to adding that section?

Mr. CRAWFORD. I think that philosophy conforms to the philosophy of this bill.

The CHAIRMAN. I am reading from the Constitution of the Union of Soviet Socialist Republics.

Mr. CRAWFORD. Yes.

Mr. LaFOLLETTE. You like that; do you, Mr. Crawford?

Mr. CRAWFORD. We can learn a great deal from a country which, today, sees that its future lies in unrestricted production and is going to town.

The CHAIRMAN. Now, in paragraph (b)—I am reading article 118, of chapter 10:

Fundamental Rights and Duties of the Citizens of the Soviet Republic.

It says:

Citizens of the U. S. S. R. have the right to work, that is, they are guaranteed employment and payment for their work in accordance with its quantity and quality.

Don't you think that is a little better language than paragraph (b) ?

Mr. CRAWFORD. I think it is worded pretty clearly.

The CHAIRMAN. Because they are paying workers according to the quantity and quality of their work.

Continuing, in article 118:

The right to work is assured by the Socialist organization of the national economy—

I am going to suggest that we change that to the “American economy”—

the steady growth of the productive forces of the soviet society, the elimination of the possibility of economic crisis, and the abolition of unemployment.

Don't you think that is better language than we have in this paragraph ?

Mr. CRAWFORD. Yes; even though we have to put them in concentration camps. Liberty is the right to be a bum, the right not to work.

The CHAIRMAN. But article 112 takes care of those who do not work, doesn't it ?

Mr. CRAWFORD. He gets his throat cut, too.

The CHAIRMAN. Article 119:

Citizens of the U. S. S. R. have the right to rest and leisure—

Would you add that to this bill ?

Mr. CRAWFORD. Yes; it would be appropriate to the bill.

The CHAIRMAN (reading):

The right to rest and leisure is insured by the reduction of the workingday to 7 hours for the overwhelming majority of the workers.

Of course, farmers have to work a little longer. It goes on—

the institution of annual vacations with full pay for workers, and the provision of sanatoria, rest rooms, and clubs for the accommodation of working people.

Don't you think that paragraph should be added to this ?

Mr. CRAWFORD. Yes.

Mr. COCHRAN. I think the gentleman will say “Yes” to anything you ask him.

Mr. HOFFMAN. Mr. Chairman, I object to any such statement as that going into the record. I don't think the Congressman has any right to make any such intimation as to the integrity or intelligence of this witness. We ask the witnesses here and they come in good faith, and I don't think it is your business or mine to publicly condemn them for a lack of sincerity, or intimate, as you did, that he would say “Yes” to anything that is asked.

The CHAIRMAN. Well, if we want to get the best possible bill out—

Mr. HOFFMAN. That is all right, but to say that the witness will say “yes” to anything that is asked him I don't think is right.

The CHAIRMAN. Article 120:

Citizens of the USSR have the right to maintenance in old age, and also in sickness or loss of capacity to work. This right is assured by extensive development of social insurance, free medical care to the working people—

and so forth.

Now we come to article 122:

Women in the USSR are accorded equal rights with men in all affairs of economic, state, social, and political life. The possibility of exercising these rights is assured to women by granting them an equal right with men to work, payment for work, rest and leisure, social insurance and education, and by state protection of the interest of mother and child, prematernity and maternity leave with full pay, and the provision of a wide network of maternity homes, nurseries, and kindergartens.

I just wanted to read those to you.

Mr. CRAWFORD. Perhaps we could learn something from Russia in formulating a full employment bill.

The CHAIRMAN. We are admitting in the passage of this bill that the private enterprise system is a failure. We are admitting that Russia should be sending us lend-lease during all this war, because her system is so much better than ours.

Isn't that the true conclusion to be drawn?

Mr. CRAWFORD. It would seem so.

The CHAIRMAN. Her system is much better than ours.

Mr. CRAWFORD. Uh-huh; if I may be permitted this sarcasm.

The CHAIRMAN. Their standard of living is much higher than ours, the working people have leisure—

Mr. CRAWFORD. Uh-huh.

The CHAIRMAN. Medical care, sanatoria, rest homes, vacations with pay—

Mr. GIBSON. On paper.

The CHAIRMAN. Well, we have no way of knowing whether it is true or not, because we can't get in to find out.

Mr. CRAWFORD. And concentration camps.

The CHAIRMAN. We don't know whether they do or not. There were concentration camps in Germany. They also had a full-employment program, and anybody who opposed their ideas were put in concentration camps and put to death, or starved to death.

Mr. GIBSON. Well, I believe that last week they extended the War Powers Act so that every man has to work where he is told to, didn't we?

The CHAIRMAN. Don't you think that if our Government undertakes to guarantee every man a job who doesn't have a job in private enterprise, that sooner or later farmers will leave the farms, because it is easier to work for the Government?

Mr. CRAWFORD. That has already happened, and it was one of the great problems of the thirties. I was on a mayor's committee in Cleveland trying to get the people to go back from the city to the farm. They told us frankly they would rather draw subsistence in the city free than to get up at 4 o'clock in the morning on the farm. That is a tragic thing in American life. That is the history of the world under such a policy.

The CHAIRMAN. We have had witnesses, proponents of this bill who say there is nothing in the bill that guarantees a job to anybody. Yet, don't you think that the average man in the street, the average workman whose job has been lost as a result of the cancellation of the war contracts, thinks the day this bill becomes law he will have a job?

Mr. CRAWFORD. That is right. No matter what you put in the wording of the bill, it has reached the point where today the public thinks that is what it means. You can't change it.

The CHAIRMAN. I have been accused of trying to sabotage the bill and things like that, and misinterpreting what people think about this bill. I want to read a little from the statement made by Mr. Wolfe, speaking for the National Lawyers Guild, before the Senate Subcommittee on Banking and Currency, which held hearings on the Full Employment Act of 1945—S. 380.

Mr. HOFFMAN. What page?

The CHAIRMAN. Page 112:

The dictionary defines "assure" as follows: "To make sure or certain, to inspire confidence by declaration or promise." This will give us a clue to the real basis for the objections. The promise of job opportunities will inspire confidence in the people of the country; they will rely on the assurance of their Government, and they will expect this promise to be effectually implemented. A promise is a commitment, and the public relies on its legislators to honor their commitments.

My conclusion from that statement, and I think it is a fair conclusion, is that the majority of the working people have the same thought—that this bill will guarantee them all a job; that if this bill becomes law and 8,000,000 people are out of work next year, as the Budget Bureau says there will be, that those 8,000,000 people will expect jobs on Federal public works; and under existing law this has to be done by private contractors. That is another provision they have in here. And under existing law when a person works on a Federal works project for a private contractor he must be paid the prevailing wage. That would be a minimum, say, of \$2,000 a year, and it would cost \$16,000,000,000 or more for labor alone. Of course, if they build any worth-while public projects—if they don't have them out raking leaves or counting trees, as they did in Cleveland—it is going to take enormous amounts of material to keep those people employed on public works. I think it is fair to assume that a figure of \$2,000 each would require \$30,000,000,000 or \$40,000,000,000 to do that. Do you think our economy can continue to stand up if we spend twenty or thirty billion dollars a year more than we take in?

Mr. CRAWFORD. There is no sense in a man believing it.

The CHAIRMAN. Of course, we have commitments we cannot turn down. We must pay our obligation to disabled veterans and their dependents.

Mr. CRAWFORD. Yes.

The CHAIRMAN. We have normal expenditures of the Government, and it has been estimated that those normal expenditures will run around twenty or thirty billion dollars.

Mr. GIBSON. I haven't seen anybody get very excited about making provisions for the veterans.

The CHAIRMAN. I am a little excited about the financial condition of this country. Now, if we wanted to do it, we could pay our debts very easily next year by inflating our currency.

Mr. CRAWFORD. And kiss good-bye to new business.

The CHAIRMAN. All business.

Mr. CRAWFORD. There is a very interesting discussion. What is a job? That is one of the great problems in America today. Is a job 8 hours with the money received, or is a job some production produced? That is the problem tearing us all to pieces today. The virtue in our productive system is not the number of farm hands but the size of the crop that puts us into prosperity.

Mr. COCHRAN. Will you permit me to ask the gentleman a question?
The CHAIRMAN. Yes.

Mr. COCHRAN. In the final analysis, your viewpoint is, as I understand it, throw the bill in the wastebasket and let this committee recommend to the Committee on Ways and Means that they follow out your suggestion in regard to taxes and recommend to the Committee on Labor that they repeal the laws that you claim have shackled industry. Is that your point?

Mr. CRAWFORD. My point, sir, is to drop this bill.

Mr. COCHRAN. That is first.

Mr. CRAWFORD. And seriously seek the causes of unemployment and then remove the restrictions that exist upon business.

Mr. COCHRAN. Thank you; that is all I have to say.

Mr. GIBSON. Will you send me a copy of that suit that was brought against you?

Mr. CRAWFORD. Yes.

Mr. HOFFMAN. Mr. Crawford, the chairman read you a series of statements from the Soviet Constitution, and you nodded your head and said "uh-huh" all the way through his reading. Those of us sitting here could get the tone of your voice and the apparent sarcasm to some of it, but when that comes out in print perhaps an entirely different impression might be gained by one reading the record. I suggest that before you go away you go over the record and make the answers you want.

Mr. COCHRAN. Will the gentleman yield?

Mr. HOFFMAN. Yes.

Mr. COCHRAN. The witness agreed by his attitude, and I think I heard him say "yes" in the end. He really agreed with the leading questions of the chairman that it would be well to embody those thoughts in the language of the bill.

Mr. HOFFMAN. That is all right, but he didn't endorse it. He agreed that if we were going to have this bill we should make it the best bill possible.

Mr. CRAWFORD. And I might add that we should get Uncle Joe Stalin over here to run it. It was all sarcasm, of course.

The CHAIRMAN. And then you would get full employment.

Mr. HOFFMAN. This is a personal question, Mr. Crawford, and perhaps you will not care to answer it; if not, all right. I am just assuming that you have money enough yourself, so that whether there are additional jobs or whether there are not, whether you continue in business or whether you don't, it won't affect your own welfare.

Mr. CRAWFORD. That is not true, sir.

Mr. HOFFMAN. I was hoping it was.

Mr. CRAWFORD. My nest egg is small.

Mr. HOFFMAN. I thought you were in the situation of Henry Ford II.

Mr. CRAWFORD. Not quite. I love the game, and I love the work, and I love to start businesses and see them go.

Mr. HOFFMAN. And you still have to stay in business?

Mr. CRAWFORD. Yes, sir.

Mr. GIBSON. Isn't it true that even if you were in Henry Ford's position, if we have broken down the currency of this country, you wouldn't then be so well off?

Mr. CRAWFORD. That is right.

Mr. CHURCH. Mr. Crawford, this is a question I want to read, in order to follow this discussion. Under a combination of this bill and the minimum-wage law, it is proposed to set up an economic situation where all available workers are employed at a high minimum wage. Assuming that is possible, in view of this, Mr. Crawford, does it not follow, in order to eliminate competition between employers seeking to hire highly skilled labor, high production labor to offset the low production and high minimum wage unskilled or partially skilled labor, that the Government must do one of two things: (1) Establish and maintain a strict policy of price and profit fixing or (2) establish and maintain ceilings on wages?

Mr. CRAWFORD. I think that is very true, sir. You must first realize that no industry is an employer. The buyer and the great American public is the employer and pays all the wages. The great American public will not buy anything it does not think it gets good value for. One of the tragic things in American life that has been going on too long is that, in the American public, at one end are the high-wage people, at the other end the fixed-income people. Their incomes are fixed. In order to keep our plants busy we must sell goods that this end can buy and that end can buy. If our prices and wages rise too high, all the fixed-income people drop out of the market, and then the high-wage people work only half time. That has appeared in my industry. A high-priced car will sell to some, but we want the mother on her life insurance and the little school children and all the fixed-salaried people to get them. If that is pushed up too high, this end falls down, and the high-priced-wage fellow is only working 3 days.

Mr. HOFFMAN. In the interest of brevity, I want to yield to Mr. LaFollette.

Mr. LAFOLLETTE. Mr. Crawford, will you read some of the bill with me?

Mr. CRAWFORD. Yes.

Mr. LAFOLLETTE. On page 3, section 3 (a) [reading]:

The President shall transmit to Congress at the beginning of each regular session a national employment and production budget (hereinafter referred to as "national budget") which shall set forth in summary and in detail for the ensuing fiscal year or for such longer period as the President may deem appropriate—

That distinctly says he shall transmit that budget at the beginning of each regular session; is that right? Is that what the language means to you?

Mr. CRAWFORD. You jump from the bottom of page 3 to something else.

Mr. LAFOLLETTE. I beg your pardon; I started at section 3 (a) and read right down. Do you have it?

Mr. CRAWFORD. Yes.

Mr. LAFOLLETTE. Then, you read it to me.

Mr. CRAWFORD (reading):

The President shall transmit to Congress at the beginning of each regular session the national production and employment budget (hereinafter referred to as the "national budget") which shall set forth in summary and detail for the ensuing fiscal year or such longer period as the President may deem appropriate—

Mr. LAFOLLETTE. I think that is enough. That says at the beginning of each regular session, does it not?

Mr. CRAWFORD. Yes.

Mr. LAFOLLETTE. You know that is in January of each year; that is true? You know that?

Mr. CRAWFORD. The sessions vary.

Mr. LAFOLLETTE. No; the beginning of the session now is the first part of January. Now, I wonder if you will read to yourself only subsection (b) of section 3. It is on page 4 and begins on line 19.

Mr. CRAWFORD. Yes.

Mr. LAFOLLETTE. If you will just read that to yourself and let me know when you have finished and gotten down to (c).

Mr. CRAWFORD. I have read down to line 20 on page 5.

Mr. LAFOLLETTE. I think that, to me, rather significant is the language on page 5, line 10, beginning:

The President shall also include in such budget such recommendation for legislation relating to such program as he may deem necessary or desirable. Such program may include, but need not be limited to, current and projected Federal policies and activities with reference to banking and currency, monopoly and competition, wages and working conditions, foreign trade and investment, agriculture, taxation, social security, the development of natural resources, and such other matters as may directly or indirectly affect the level of non-Federal investment and expenditure.

You take, if you can answer, that it is a reasonable assumption that if that is submitted with the national budget, and that the national budget shall be for the ensuing fiscal year or such longer period, that that does cover not only the budget for the period but an outline of Federal policies, and that is for the same period—a year. That is right, isn't it? Is that a fair conclusion, do you think?

Mr. CRAWFORD. I would assume so.

Mr. LAFOLLETTE. I think that is right. Now, then, if we go over to section 4, we see at the bottom of page 7, Mr. Crawford, that this budget is prepared in the office of the President. I just want to point that out.

Then section 5 sets up the Joint Committee on the National Budget, and that is composed of certain ranking and minority Members of the House and the Senate and certain committees of the House.

Now, if you go over to page 9, line 9, you will find that it is their duty, in submitting this national budget—

to report to the Senate and the House of Representatives not later than March 1 of each year, its findings—

That is the congressional committee—

and recommendations with respect to the national budget, together with a joint resolution setting forth for the ensuing fiscal year a general policy with respect to such national budget to serve as a guide to the several committees of Congress dealing with legislation relating to such national budget.

I have assumed in reading the bill that the term "the general policy" and "dealing with legislation" refer back, not only to the national budget but to the outlined subject matters of interest to business which we find on page 5, lines 10 to 20, and some of which you mentioned—banking and currency, monopoly, competition, wages and working conditions—so that I believe it is fair to assume, and I would like to take this bill with you and think about it, that this language on page 9, which then says, "The Joint Committee shall make recommendations to the Congress by March 1 as to the legislative policies," means just that.

Now, Mr. Crawford, you kept referring to the fact that that can be changed every 90 days, and I believe you are mistaken. If you will turn to page 11, section 6 (a), I find that it says:

The President shall review quarterly all Federal investment and expenditure for the purpose of ascertaining the extent to which the current and anticipated levels of non-Federal expenditures warrants any change in the volume of such Federal investments and expenditures.

And then the next section:

Subject to such principles and standards as may be set forth in applicable appropriation acts, and other statutes, the rate of Federal investment and expenditure may be varied to whatever extent and in whatever manner the President may determine to be necessary for the purpose of assisting in assuring full employment, with due consideration being given to current and anticipated variations in savings and investment and expenditure by private business, consumers, State and local governments, and the Federal Government.

To me the very significant and necessary language in there from the standpoint of the Congress and the standpoint of the policy is the language, "Subject to such principles and standards as may be set forth in applicable appropriation acts." I think, Mr. Crawford, that you have made a statement here arising out of an honest misunderstanding. I find nothing in this bill, other than the language I have read to you, that indicates that there shall be any quarterly change in the Government policy on taxation or otherwise. You see what the bill does: it sends the budget and the proposed legislation the first of the year. I mean, a rounded budget. To me that is something that has been needed for a long time.

Now, what the President reviews quarterly is the amount of Federal expenditure with reference to the current and anticipated level of non-Federal expenditures; but that section (8), I am quite convinced, having read the bill thoroughly, no one can say gives the President the right to do the things you fear. To that extent I believe you are mistaken when you tell us that you can't plan because there would be quarterly changes.

To me, one of the most healthy things in this bill is the fact that maybe we are going to get a coordinated program for a fiscal period of a year or a longer period, upon which people can act. I quite agree with you that some certainty as to Government policy is necessary in order to enable private enterprise to operate.

Now, may I make an observation that I believe is quite fair and that—

Mr. CHURCH. Before you leave that subject, if you will yield?

Mr. LaFOLLETTE. Yes.

Mr. CHURCH. I want to ask you, Mr. LaFollette, if it is not significant when you say the President shall review quarterly all Federal investment and expenditure, and then you do refer to its use for appropriation acts—if that couldn't be the most effective use by the President quarterly, every 90 days. How do you make any insignificance out of that? I don't see how you can say Mr. Crawford is in error when you realize the bills appropriating money for all activities of the Federal Government—

Mr. LaFOLLETTE. I don't think you have read the bill carefully.

Mr. CHURCH. Yes; I have read it very carefully.

Mr. LaFOLLETTE. Then, let me say I don't think you have read it with understanding.

Mr. CHURCH. I have to my understanding.

Mr. LAFOLLETTE. You may not have read it with clear understanding. "The President shall review quarterly." He doesn't review quarterly the policies with reference to finance, banking, and currency, or any of those; he reviews quarterly all Federal investments and expenditures, "for the purpose of ascertaining the extent to which the current and anticipated level of non-Federal expenditure warrants any change." Then, also, "Subject to such principles and standards as may be set forth in applicable appropriation acts." Those are our acts, done here in the Congress.

Mr. CHURCH. Which he brings up as suggestions.

Mr. LAFOLLETTE. Of course, but you and I pass them. Of course, I am very positively of the opinion that Congress will more and more act independently, so that the President cannot change these standards unless the Congress passes appropriation bills to do it.

Now, if you will let me proceed with Mr. Crawford, I will discuss these things privately with you sometime.

Mr. CRAWFORD. May I make an observation, sir?

Mr. LAFOLLETTE. Yes. I don't know what you are going to say, but let me say this: I think there is some merit in the proposition that if there is an extraordinarily high level of Federal expenditure involving probably the national solvency, to that extent when you say the currency is affected, I will agree with you. But I cannot agree with you that this quarterly review of expenditures does change the legislative program which is set out in section 3. I don't believe it does.

Mr. CRAWFORD. I get your point. May I speak to it?

Mr. LAFOLLETTE. Yes, surely.

Mr. CRAWFORD. I am glad it came up. I don't think I used the word quarterly; I said every 90 days.

Mr. LAFOLLETTE. We won't quarrel about that.

Mr. CRAWFORD. In the sense of frequently. But let me say this: To business it is far worse than that, it is every day, it is monthly, because as I read it, the President shall make recommendations for legislation relating to these things.

Mr. LAFOLLETTE. But wait a minute. That is where you don't read the bill with understanding, Mr. Crawford. He submits the national budget.

Mr. CRAWFORD. Yes; I read that.

Mr. LAFOLLETTE. With a recommendation accompanying the budget; that is submitted on the first of the year.

Mr. CRAWFORD. I realize that.

Mr. LAFOLLETTE. In other words, we are trying to get the program started here in January.

Mr. CRAWFORD. I agree with you, sir.

Mr. LAFOLLETTE. It is true he may come up with the other, but as a part of this plan.

Mr. CRAWFORD. I agree, once a year.

Mr. LAFOLLETTE. We are trying to do it once a year and coordinate legislation and coordinate matters that affect business.

Mr. CRAWFORD. I agree.

Mr. LAFOLLETTE. And if we can get something that is coordinated and say, "This is what we are trying to do," we are making some progress.

Mr. CRAWFORD. Let me make my point.

Mr. LAFOLLETTE. All right.

Mr. CRAWFORD. He makes that recommendation January 1. It goes to Congress. It requires legislation. Any job maker who wants to start a business on January 2, sees that he recommends a change in the value of money and other things. It goes to Congress in January. Now then, the debate goes forward through January, February, March, and April, and all that time there is complete uncertainty. It is not only monthly, but daily and hourly. Complete uncertainty abounds in the country, and at the rate legislation is passed—and at the rate at which it should be passed, which is after long and careful consideration—the year has gone, and he hasn't had one day without complete uncertainty as to what foundation he will stand on as regards his new business.

Mr. LAFOLLETTE. Mr. Crawford, that is not worthy of you, for this reason; just a while ago you said that very often because tax bills did not get in here until October or November—

Mr. CRAWFORD. That is right.

Mr. LAFOLLETTE. Covering the year in which you had already done business up to October and November, there was that uncertainty.

Mr. CRAWFORD. That is right; that is why there are no new jobs.

Mr. LAFOLLETTE. That same length of debate and time in passing legislation, and that same uncertainty obtains now.

Mr. CRAWFORD. Certainly.

Mr. LAFOLLETTE. When we bring in a bill, maybe in March, you don't know until September—

Mr. CRAWFORD. That is why we have unemployment.

Mr. LAFOLLETTE. Right. But at least, then, I reach the conclusion that if we say we are going to attempt to have this debate early in the year, at least we are making some progress by your own analysis.

Mr. CRAWFORD. If the President would bring in a single recommendation to the Congress that they set the value of money and the conditions under which labor and management are going to conduct their working relations, and if it would set some of these things and they would not change, then business could start some business and we could get at our real job, which is jobs.

Mr. LAFOLLETTE. That is one of the reasons that I find it possible to support this bill, because I am hoping that maybe we can, and I know that in the past, from experience and observation, there has been no orderly conduct. I think we are attempting to take a step forward.

Mr. CRAWFORD. But you tie it to a spending program, so you will have the pressure groups howling over it.

Mr. LAFOLLETTE. We can go into that later, but just let us stick to this; that the statements that you have previously made, which you think are so vital, are nearly not as vital as you thought they were, when you understand the bill more thoroughly.

Mr. CRAWFORD. That is your opinion.

Mr. LAFOLLETTE. All right, I will leave that statement and your answer stand, so that everybody can draw their own opinion.

Mr. CRAWFORD. All right.

Mr. LAFOLLETTE. You have intruded into the discussion of this bill your feeling with reference to certain labor policies of the Government. I am going to say to you that I think really one of the reasons you wanted to come to us was that you feel very seriously about that. But,

again, Mr. Crawford, logically, you are not voicing an objection to this bill, because this bill says that we shall have a legislative program with reference to labor policies and wages you are voicing an objection to your experience with existing labor laws, so that in its final analysis, whether we have this bill or we don't have this bill your problem still exists, as you see it. Isn't that correct?

Mr. HOFFMAN. His problem with what, you mean as to labor relations?

Mr. LAFOLLETTE. His problem with regard to labor relations still exists, whether we have this bill or don't have it.

Mr. CRAWFORD. My problem only exists because the Government undertook to establish it. I have lived under the bill for 13 years.

Mr. LAFOLLETTE. You haven't lived under this bill for 13 years.

Mr. CRAWFORD. The policies of it.

Mr. LAFOLLETTE. At least, I think we are attempting to get a coordinated program here.

Mr. CRAWFORD. I don't mean to be unreasonable—

Mr. LAFOLLETTE. So what you want, really, is not so much that we not pass this bill, but that we change certain other legislation. On that, I think you are entitled to present your opinion, but you are presenting it, I think, Mr. Crawford, in the wrong forum. It ought to be presented before the Labor Committee.

Mr. HOFFMAN. He is giving us that illustration of what happened under one Government agency, and warning us that we will get more of it under this.

Mr. CRAWFORD. That is why I can't start my new business.

Mr. LAFOLLETTE. It seems to me the greatest opportunity we have had in a long time to cure some of the evils of which you speak is inherent in the provisions of this bill, which appeal to me, and that is the attempt to coordinate legislative policy and get it early, get it passed early, get it behind us. We don't have that now. There is no question about that.

Mr. CRAWFORD. May I add, Mr. Congressman, one thing? I turn to page 7, in connection with that quarterly language, line 17, and I read that the President may from time to time, apparently any time, transmit supplementary estimates and suggestions, and so forth.

Mr. LAFOLLETTE. That is right.

Mr. CRAWFORD. More of that uncertainty.

Mr. LAFOLLETTE. No; not more of the uncertainty. The uncertainty exists now, if you please, sir. That is quite true, and I understand it is true, but I think that when we provide in this bill that the President shall submit the Budget, with a legislative program, in January, that very fact has a retarding effect upon the Congress to further consider anything that "backs in" afterward, unless accompanying the "backing in" there is a definite presentation of the factual situation which justifies the "backing in." Do you see? So that while this is an escape clause to come back to what we are doing now, I would just as soon it weren't in there, but it cannot make it any worse than it is now, when we bring in tax legislation today, bring in labor legislation tomorrow, and perhaps current legislation next month. I think we are trying to create an atmosphere more conducive to the situation you desire to see, and that is one of the reasons I am for this bill.

Mr. CRAWFORD. The first thing, you are going to match the things recommended to a purely fictitious, imaginary figure, which is what mother is going to pay in the department store 18 months hence. And I want you, instead of doing that, to come and ask the man that gives the jobs and starts the businesses what you can do to help him make the new jobs of the future.

Mr. LaFOLLETTE. Maybe we are even going to try to do that in here. It says here that the President can establish such advisory boards and committees composed of representatives of industry, agriculture, labor, and so forth. Maybe he will go and ask them. I don't know. So far as I am concerned, that is just window dressing. But it is an answer, in a sense, to what you say.

Mr. CRAWFORD. But certainly take that spending tail off, if you want to spend your time on those things and get past the pressure groups.

Mr. LaFOLLETTE. With some other witnesses, I have expressed my opinion on spending. I don't want to go back over it with you, but I think you were in error when you made your statement about quarterly changes.

The CHAIRMAN. I want to ask you one question, Mr. Crawford. In this national Budget, the President has to transmit in January, of course we realize that in preparing the Budget the Bureau of the Budget would have to start work on it in September, at the latest.

Mr. CRAWFORD. Yes.

The CHAIRMAN. To have it ready for the President in January. Well, under our legislative system the Budget is transmitted to the Congress in the annual Budget message, around the first of January, for the fiscal year beginning July first of that year.

Mr. CRAWFORD. Yes.

The CHAIRMAN. In other words, in September of this year the Budget Bureau would have to forecast how many people would be unemployed in July of next year to the following June?

Mr. CRAWFORD. Yes.

The CHAIRMAN. In that fiscal year. Do you think that Solomon, or any other wise man that ever lived, could do that?

Mr. CRAWFORD. No, sir.

The CHAIRMAN. Do you think we have any man today in the United States who can forecast what the weather will be a year from now which will affect agriculture, or forecast what labor conditions will be?

Mr. CRAWFORD. Absolutely not.

The CHAIRMAN. Forecast what consumer desire will be from 12 to 18 months ahead of time?

Mr. CRAWFORD. It is ridiculous; ridiculous for two reasons: First, it cannot be done; and second, while all the factors you have mentioned have lots to do with jobs, there are many other things that are not included. The price structure in this country can make or break employment. The practice structure depends on cost; cost depends upon the ability to produce unrestricted. You are seeing in this country today an artificial level of prices. We are pricing ourselves out of our own market and creating unemployment because we have restrictions in the great process of production, imposed by Government and other bureaus. You will find that a large percentage of the holdings of the War Labor Board provide for restrictions, such as payment for work not done, and in other ways.

The CHAIRMAN. I read into the record an excerpt from the President's address on the military training program, in which he stated it would be impossible to foresee the future. Do you think it would be placing the President in a very embarrassing position to ask him to forecast a depression in his annual Budget message in January, a depression that would have to be forecast to begin after the 1st of July? Don't you think every businessman in the country would reduce his inventory immediately, consumers would stop purchasing, and that forecast would precipitate a depression?

Mr. CRAWFORD. By decree.

The CHAIRMAN. Because the words of the President carry great weight. Wouldn't it be advisable for us to attempt to protect the President from facing such an embarrassing situation, because it naturally would affect his prestige in office?

Mr. CRAWFORD. If he misses, he is done.

The CHAIRMAN. And he couldn't afford to underestimate.

Mr. CRAWFORD. That is not politically wise.

Mr. CHURCH. Mr. Crawford, will you refer to page 2 of H. R. 2202, line 4, where it leads up to this:

All Americans able to work and seeking work have the right to useful, remunerative, regular, and full-time employment.

Referring to the words "remunerative" and "regular," would you care to envision what that would add to the outlay of funds necessary and that would be required to gather that kind of information into this so-called National Budget that is referred to in this bill?

Mr. CRAWFORD. No, sir.

Mr. CHURCH. Do you consider "remunerative" a definite term for Congress to use?

Mr. CRAWFORD. Which page and line?

Mr. CHURCH. Page 2, line 4.

Mr. CRAWFORD. I have it.

Mr. CHURCH. Do you consider those terms certain terms, or are they uncertain and undefinable?

Mr. CRAWFORD. Absolutely uncertain and undefinable, and the word "job" is undefinable. They don't mean anything. There is no satisfactory job. Nobody wants to work; everybody wants more money for less work. We have 36,000, if I remember the figure right, out of work in Cleveland today, and 10,000 jobs begging, but those jobs don't suit them.

Mr. CHURCH. Assuming this was all to be prepared to be presented, can you envision the outlay that would be necessary? Would it mean a lot more people—

Mr. CRAWFORD. Yes.

Mr. CHURCH. Can you imagine the outlay it would take?

Mr. CRAWFORD. It would take armies of people and cost millions, and the answer would be absolutely relative only, because a man changes his ideas, in his own mind, of what is remunerative every time he gets his pay. That is a good chapter for Alice in Wonderland.

The CHAIRMAN. Have you carefully studied section (c), on page 2, Mr. Crawford?

Mr. CRAWFORD. Yes. I have asked myself questions about it. No. 3, for instance: How can the United States raise the standard of living for the American People. The Government produces no food,

clothing, or shelter. It can only take from those who produce and distribute the result. And, after all, the standard of living is food, clothing, and shelter.

The CHAIRMAN. What about subparagraph 2, in section (c):

foster and protect the American home and the American family as the foundation of the American way of life.

Are we doing anything now to destroy the American home?

Mr. CRAWFORD. You touch on one of the most tragic things of this so-called policy—these policy acts of government. We are destroying the responsibility of the home. For a thousand years there has been a social-security program in which the children take care of the parents and the parents take care of the children. My greatest pride was to take care of my people. But this whole attitude of spending has shifted the burden to the Government, and we are forgetting all about family responsibility, the unit in this country that has made us great.

The CHAIRMAN. Of course, our program, if we pass this bill, is to take care of the people from the time before they are born, from conception, until death.

Mr. CRAWFORD. Yes.

The CHAIRMAN. We have no provision for their spiritual welfare after death. Would you say that it does or does not approach the status of totalitarianism?

Mr. CRAWFORD. That is totalitarianism.

Mr. CHURCH. Would you say that it does or does not approach other government plans, insofar as they deal with the family unit?

Mr. CRAWFORD. Your next step to make it work is to go all the way, tell mother what she shall buy and where, and what the baby shall eat.

The CHAIRMAN. How would you interpret subparagraph (5) of section (c), which states, "to contribute to the full utilization of our national resources." Would you interpret that to mean that we are to deplete our national resources, or conserve our national resources?

Mr. CRAWFORD. I read it and puzzled, and could not make any sensible meaning out of it. In fact, I can't read the bill and make sense. The word "budget" to me means something entirely different from its use in here. American people would know what "budget" means, but when you call this a national budget, as an illustration of the use, they won't know.

The CHAIRMAN. Subparagraph 9, on line 22 provides,

Contribute to the establishment and maintenance of lasting peace among nations, it is essential that continuing full employment be maintained in the United States.

You have heard of the program we have to raise the purchasing power of the Javanese and the Chinese.

Mr. CRAWFORD. Yes.

The CHAIRMAN. How are we going to do that without lending money to educate those people?

Mr. CRAWFORD. And every dollars adds taxation that stops businessmen starting businesses, and unemployment grows from lack of new business.

The CHAIRMAN. Of course, in order to extend our foreign markets for American goods, it is hoped we will have a 10-billion dollar a year foreign trade. Isn't it in the program for us to lend money to rehabilitate all these foreign nations?

Mr. CRAWFORD. That seems to be the purpose that we see today.

The CHAIRMAN. Can we have any assurance that if we loan all those nations money that they will accept any goods from our country?

Mr. CRAWFORD. The experience has been tragic on that. They spend the money for other things.

The CHAIRMAN. Of course, a lot of these nations are planning on the rehabilitation of their own country and the industrialization of their own country by loans. Now, they can do that, but have you heard of any country in the world that is offering to lend us money to help us retire our debt, and help us meet this unemployment program?

Mr. CRAWFORD. May I comment right there?

The CHAIRMAN. Yes.

Mr. CRAWFORD. The reason England is borrowing money from us today—and I have associates operating in England—is that the adoption of similar programs for the tragic limitation of output has put her where she can't go on without loans.

The CHAIRMAN. Isn't it fair to state the reason England is in such deplorable condition today is because in 1920, and up to 1939, the British Government taxed their people so heavily that it was impossible for industry to add to its productive capacity?

Mr. CRAWFORD. That's it.

The CHAIRMAN. And jobs were not given to the people over there, because they lost their trade to countries that had made more industrial advancement?

Mr. CRAWFORD. Sir, I can give you specific cases, where the same product I make in Cleveland is made in Birmingham, England. I make three times as many over here for one-third the cost. I pay \$13 a day in wages, to their \$3.20. I do it because England has imposed for a long time upon her industries restrictions in production and a taxation that has prevented them keeping up to date. Her unemployment is due to that and that alone, and her tragic problems are due to that and that alone.

The CHAIRMAN. The reason England today has had to nationalize her coal mines, I think, is due to the fact that the production of coal from the mines of England today is about 1 ton per man day, while in this country it is 4½ tons. We pay three times as much wages as they do, yet the operators of those coal mines have been taxed so heavily that they cannot buy the new machines that would make it possible to reduce the cost of production.

Mr. CRAWFORD. And in addition to the taxes, there are the restrictions, by government backing, imposed by labor unions, which has stopped production in those plants, in addition to the inability to get capital to keep them going.

The CHAIRMAN. As a result of that, England must continue its downward slide to totalitarian system of government.

Mr. CRAWFORD. She must borrow, and lower her standard of living, and she must be content with it, or go back and remove these restrictions. That is perfectly plain and that is England's whole problem. And that disease today is spreading over the world, and is spreading fast in this country, and is presenting America's greatest problem. Will we want to try to continue progress with this great industrial machine, or will we be restricted?

The CHAIRMAN. You are a student of history, I believe, and you know this same system was tried by the Romans. They made efforts to give employment to the returning soldiers of their own legions.

Mr. CRAWFORD. That is right.

The CHAIRMAN. It was also tried in the second French Republic. In 1848 they had to repeal the act to provide full employment.

Mr. CRAWFORD. That is right.

The CHAIRMAN. So we are not willing to profit by the mistakes of other people.

Mr. CRAWFORD. The most beautiful comparison is Greece, following the Persian wars, when all the reform measures were introduced into Greece, including the building of public works and so on. They even had a PWA; they paid people to sit in the stands, and nobody wanted to go.

The CHAIRMAN. This legislation in itself is not so dangerous, but the implementing legislation that must follow in order to guarantee everybody a job is what may result in our ultimately getting into a totalitarian system of government.

Mr. CRAWFORD. To me there are two tragic things. The first is the fact that you have written into the bill public spending. Second, it is a policy bill with a spending tail tied to it, and, politically, all the front pages of this bill will be forgotten, and the intention, as pressure comes to start the spending.

The CHAIRMAN. If our committee does see fit to report out this bill, this full employment bill, you think it should be amended to carry out some of the provisions of the Soviet constitution, in order to benefit by the experience of a nation that has already tried some of these things?

Mr. CRAWFORD. Sometime we must turn the corner and either go all the way or come on back and give America a chance.

Mr. CHURCH. That is, it either has to be totally the state—

Mr. CRAWFORD. At least that.

Mr. CHURCH. Totally that to be effective, or it is not effective.

Mr. CRAWFORD. That is it. As I said, the Government cannot hire the unemployed in this country on any projects until they go into the purchase of plants and machinery and start the creative type of jobs that make more jobs. And then we have gone all the way.

The CHAIRMAN. What would you think about an amendment to this bill that would provide that unemployment insurance taxes be withheld from the employer and the employee and be earmarked and placed in the fund to provide payment for public works? Because, if there is no more unemployment, we won't need unemployment compensation. We would have to change the name of the tax, of course. Don't you think that should be done?

Mr. CRAWFORD. Our programs now are certainly conflicting.

The CHAIRMAN. Don't you think that should be done, if we pass this bill and it becomes law?

Mr. CRAWFORD. I assume you should repeal the social security; there will be no need for it.

The CHAIRMAN. We will need the tax money to provide 30 or 40 billion dollars a year if the bill becomes law.

Mr. CRAWFORD. All these things simply create unemployment by stopping new business.

Mr. CHURCH. Will the chairman yield?

The CHAIRMAN. Yes.

Mr. CHURCH. Assume, Mr. Crawford, a plan was worked out under this measure, and then that, together with the public works plan, and industry, provide, let us assume, full employment, and a plan is provided for full employment, it anticipates full employment. What then is going to happen to all of these unborn businesses we have discussed? What is left by way of employment?

Mr. CRAWFORD. Nothing.

Mr. CHURCH. After they have gone to the Federal project under this plan, what is envisioned under this bill?

Mr. CRAWFORD. You make a good point. The very plan, again, makes it impossible to start new businesses that replenish free enterprise and create jobs.

The CHAIRMAN. You would never get one employee, because, if a person gets on the Federal pay roll he has more security than in private business.

Mr. CRAWFORD. I can suggest that your committee study what is happening in France this very minute. To build up government power they have a very wide and great increase in public employment. For the security that comes from being on the taxpayers' pay roll, men are leaving industry. An associate of mine who owns a plant there is having all sorts of difficulty because his men have gone on some kind of a government pay roll, and he is having an awful time.

The CHAIRMAN. France was destroyed sometime before that. It was destroyed sometime in the thirties.

Mr. CHURCH. Let me call your attention to another bill, Mr. LaFollette's bill, H. R. 4181. Will you comment or expand your remarks, which you will probably have a chance to do? I would like you to comment and give your opinion on that bill.

Mr. CRAWFORD. I am sure I shall have to study it.

Mr. CHURCH. You can extend your remarks at this place in the record, and send them to the clerk.

Mr. CRAWFORD. I will be glad to do that. Mr. LaFollett's bill is subject to all the objections I have raised against the Patman bill, only it is obviously worse than the Patman bill.

I left out one interesting point that I think is vitally important and I wish it could go into your record and be considered. If you will consider for a moment this great country; there are all sorts of men, all the way from the skilled to the handicapped. I don't refer to the injured, I refer to the man who is feeble of mind and shaky of hand, but who wants his chance for a job, and simply cannot get it. Gentlemen, there is a false theory abroad that we have maldistribution. That has been referred to as the cause for the illy clothed and badly housed. Maldistribution—that is a very deceptive term. There is no maldistribution in this country. I never knew a company that wouldn't hire a truck or a plane and deliver its stuff all over the world and gets its product there, if it got an order. The trouble is, when they get there, the handicapped, the man who is less endowed by nature, cannot buy it. If that man were productive, he would not be ill-clothed and badly housed.

The CHAIRMAN. Of course, in a totalitarian system he would be liquidated; he wouldn't be a problem.

Mr. CRAWFORD. Let me point out that men are all created politically equal but not physically equal, and no government or free enterprise or anybody is to blame for that man. I have one man working for me, diligent, fine character, who wants a good job, but he can only sweep. That man has been to the Government, to the church, to school, to all the people that know the answers, and nobody can do anything for him. Only free private American enterprise can solve his problem, and we can solve this malproduction that brings this fictitious theory of maldistribution that is referred to. This man can't read a blueprint or my chonometers; he is only good for a job like sweeping.

Mr. CHURCH. But he wants to work for you.

Mr. CRAWFORD. He wants work.

Mr. CHURCH. That is his only opportunity, isn't it?

Mr. CRAWFORD. Yes. I took this man, and we had built for him a machine with electrical controls. It is an elaborate machine that cost \$15,000 to build. Now, that handicapped man sits on a stool, and in front of him is a beautiful machine, electrically operated. We have transferred skill from the hand of the man to the machine. Now, that man opens the lid, puts in a piece of material, and pushes a button. He leaves the material in the machine, and in a few minutes the door opens, a flag goes up, the machine stops, and he takes out a piece made of better quality, and made in half the time the old hand machine made it. We have made that man productive through an investment of productive capital. We have supplied a deficiency that the Lord put in that man. We have supplied him a steady hand, in the machine. There is no other way on God's earth to take care of and raise the standard of living of these so-called marginal people than by tools of production.

We have another man, blind, who came to me and wanted work. He is a fine fellow. We made him an electronic device, with a speaker for his ear. He sits at a stool, utterly blind; he puts in a piece of material and makes the most delicate measurements by reason of a little sound thing that goes "buzz, buzz," and tells him whether it is right or wrong. He is happy, he is productive, and there was nobody who could do a thing for that fellow except free industry. That man sits there and is more efficient than the girl who reads the indicator visually because fatigue of the ear is less than fatigue of the eye.

Why can't you look at the problem and back us up and help us face the realities of this thing? The building of this thing for the blind is a business in itself that would employ many, many people and bring more benefits to the people than all the debates in the Halls of Congress; and, gentlemen, if your committee would stop these debates and call in the people and ask them "What can we do to help?" you would chuck all this, you would drag out the things that tie our hands, and give us a chance, and let us grow; and, I must repeat, that is the way the country did grow, with ever-increasing success, until Government entered business. The one thing on which all of this is based is the false premise that free enterprise is a failure. It never was a failure in this land. It made this land until Government entered in and gradually imposed on us a network of restrictions, both of taxation and administrative control, and other things which make it just impossible to operate successfully. I return to this: That nobody can solve the marginal worker's problem on that job except the investment of capital.

When I went to work a lathe cost \$700; today it costs \$7,000 and produces far more. That is your problem of employment, gentlemen. Sometime you will find a realistic solution, but you can't do it, sitting here in Washington.

Mr. CHURCH. Do you or do you not know of persons who sought an opportunity to go to work, even at lower than the minimum wage, so-called minimum wage, and where that person could have money loaned to him for months or for years, if necessary, in order that he might learn a good job, and finally earn high wages? You have known a lot of those people, have you not? Those people should not be denied opportunities, should they?

Mr. CRAWFORD. That is right.

Mr. CHURCH. By having jobs Federalized, so that he might have to be taken on Federal projects? Let me ask you this; necessarily there is no profit in Federal projects, isn't that true?

Mr. CRAWFORD. That is right.

Mr. CHURCH. And necessarily in private industry there must be profit.

Mr. CRAWFORD. That is true.

Mr. CHURCH. Labor cannot get its money, industry cannot get its money, unless there is a profit.

Mr. CRAWFORD. That is right.

Mr. CHURCH. And in all cases of Federal work, work done under taxation, you don't have to arrive at profits. You merely get what the labor produces under the Federal system, so that it is conducive, in a way, to looseness—

Mr. CRAWFORD. Yes.

Mr. CHURCH. Less production.

Mr. CRAWFORD. Absolutely.

Mr. CHURCH. And if you have special work, like roads and public buildings, the Congress can give that special consideration.

Mr. CRAWFORD. That is right. You don't need any bill for that. And there are fields where the Government alone ought to do that—the dredging of harbors and rivers and roads.

Mr. CHURCH. A while ago I tried to arrive at your estimate of the amount that would be necessary, and you said it would take armies of men to get together even the uncertain results, or uncertain statistics. Can you estimate any amount of money that that might cost? You said armies of men.

Mr. CRAWFORD. Well—

Mr. CHURCH. It has to be paid for out of taxes.

Mr. CRAWFORD. Yes.

The CHAIRMAN. Thank you very much, Mr. Crawford, for your statement.

Mr. CHURCH. I want to commend you for your statement. It is one of the finest statements this committee has had.

Mr. CRAWFORD. Thank you. I want to say on the record that I am deadly serious; I love these institutions; I want to create jobs, and I know if you will go at this thing in the right manner, the country can go on.

The CHAIRMAN. We stand in recess until 2:30.

(Whereupon at 12:45 p. m., the committee recessed until 2:30 p. m.)

AFTER RECESS

The committee reassembled at 2:30 p. m., pursuant to recess.

The CHAIRMAN. The Committee will come to order. We have before us Col. Millard D. Brown. Colonel, will you give us your full title for the record?

STATEMENT OF MILLARD D. BROWN, CHAIRMAN, LEGISLATIVE COMMITTEE, PHILADELPHIA TEXTILE MANUFACTURERS' ASSOCIATION

Mr. BROWN. I am president of the Continental Mills, Philadelphia, and I am appearing against the enactment of this measure on behalf of the Philadelphia Textile Manufacturers' Association.

The CHAIRMAN. When you say "this measure" you mean all three of these full employment bills?

Mr. BROWN. Yes, sir. In the following words H. R. 2202 assumes to guarantee a job for everyone:

All Americans able to work and seeking work have the right to useful, remunerative, regular, and full time employment, and it is the policy of the United States to assure the existence at all times of sufficient employment opportunities to enable all Americans to exercise that right.

The enactment of this bill would make the Federal Government responsible for assuring sufficient employment at all times.

This piece of legislation is heralded by its supporters as a restatement of the Declaration of Independence, as a guarantee of jobs instead of relief, and even as preventative of communism.

In spite of the fact that many of its backers are well meaning persons, the fact remains that its adoption would lead to a complete government regimentation of our economic life. It would be a bitter disillusionment of those who believe its promises, and would end the whole structure of private enterprise. George Sokolosky has a definition for such proposals. He calls them "politician's paradise held before unthinking men and women as devil's mirages."

We are entitled to grave doubts about the ability of government officials, or any other person, to forecast accurately the labor force, prices, national income, and unemployment for a period of 6 to 18 months ahead. What is worse, an official forecast of poor business conditions could, in itself, be such a blow to confidence as to bring on a sudden recession. The bill does not pretend to be based upon any diagnosis of possible unemployment. It suggests that government may be able to stimulate private employment through action—

with reference to banking and currency monopoly and competition, wages and working conditions, foreign trade and investments;

and so forth, as well as other matters.

Except for this vague generalization, the bill does nothing more than set up governmental machinery for putting strong pressure on Congress to approve whatever scale of Federal spending the administration may find it politically desirable to recommend.

Conditions of involuntary unemployment occur under private enterprise only when contemplated profits are thought to be inadequate for the risks involved. Although conditions which cause impairment of

profits are many, they ordinarily are maladjustments of cost-price relationships following a previous period of business expansion. A readjustment of prices, costs, and income is necessary before it becomes profitable again to expand production.

"Anything can be sold at a price" is one of the axioms of a free market. The dismal failure of the early thirties was due to our endeavor to freeze cost-price relationships at the previous level. Only with abandonment of the NIRA were these relationships restored and our industrial recovery begun.

It is hoped that this bill, or any modification of it, will not be enacted into law. The Senate revision, if finally adopted, would be the entering wedge for further expansion of this program in the next Congress. Section VI of the bill provides that—

the rate of Federal investment and expenditures may be varied to whatever extent and in whatever manner the President may determine to be necessary.

A more complete surrender of the public purse would be difficult to phrase. The sponsors of the bill apparently assume that we will always elect Presidents who are above juggling expenditures to further the interest of the party in power during election years.

This bill clearly contemplates a planned economy. We have grown great by following the principles of a free economy and private enterprise. Shall we abandon that system for Russian, German, or Italian ways of life?

From the enactment of this measure it is only a step to the final stage of forced labor, which is common in so many countries in Europe and Asia today.

It is high time that the administration and Congress should decide whether it is their policy to encourage inflation or deflation. This bill, the unemployment bill, the bill to set 65 to 75 cent minimum wages, is the extreme of inflation. Yet certain agencies of the Government by administration policies are doing all possible to prevent inflation and cause deflation.

With the highest national debt the world has ever known, let us not abandon the system of the past that made us great. Let us not hold before our people the mirage of ease and comfort at Government expense. Let us face the reality, that to have a healthy and progressive future the debt must be serviced and reduced. That, like any family with a heavy mortgage on its home, we must work hard to save and reduce that mortgage; that the Government must cut its expenses to the bone so that the whole family may look forward to a fuller, happier, and richer life in the future.

Continued deficits will only end by all being impoverished, besides losing our personal liberties.

Until the last 13 years American citizens believed that every man who worked hard, producing useful goods and services, could rise to any height, economically, his ambition and ability warranted, provided he harmed no others in his program. They were the citizens that supported our Government. Their ambition, frugality, and spirit built the America which was the envy of the world.

For the last 13 years Government has forced more and more restraints and controls on our economic life and liberty. More and more have our politicians and bureaucrats restricted our economic liberty and in place of liberty they are now offering our citizens security.

World history is replete with the consequence of such exchanges—but never was such a cheap mess of potage offered in exchange for such a glorious birthright.

Our Constitution provides for the legislative, executive, and judicial departments to be a check on the other. In recent years the executive department has dominated the other two.

This so-called full-employment bill has caused more public discussion than any other piece of legislation appearing in Congress in many a year. Its implications are so potential that Congress cannot afford to act upon it without prayer and earnest consideration of the tremendous changes that its passage would make in the liberty of the individual.

Of course, none of the sponsors of this bill believe that this will happen here. But neither did the people of Germany and Italy think it would happen there.

The CHAIRMAN. Mr. Brown, you have evidently studied the Senate bill and House bill very carefully.

Mr. BROWN. I have read them over. I don't know that I have gone into them carefully.

The CHAIRMAN. I think you have pointed out some of the dangerous things in both bills, dangerous to our system of government. Do you think it is possible for you as an operator of a textile industry to forecast today what the price of cotton will be in September of 1946?

Mr. BROWN. I certainly cannot. I would not attempt it.

The CHAIRMAN. Without being able to forecast what the price of cotton would be—you manufacture cotton textiles?

Mr. BROWN. Woolen. It doesn't make any difference, though. We buy some cotton yarns.

The CHAIRMAN. Do you think it would be possible for you to fix the price on goods to be delivered in January 1947?

Mr. BROWN. No; we cannot.

The CHAIRMAN. You can fix the price for this month and next month?

Mr. BROWN. Yes, sir.

The CHAIRMAN. There are many things to be taken into consideration in forecasting what the price of your finished product would be 12 or 14 months ahead?

Mr. BROWN. Yes, sir.

The CHAIRMAN. Do you think it is just as easy to expect you to know what the price of wool and the price of the finished products will be January 1, 1947—more easy, I will say—than it would be to expect the President to be able to forecast how many people will be unemployed in November 1946?

Mr. BROWN. One is just as bad as the other. They can't do it.

The CHAIRMAN. I don't know, but it occurs to me it would be easier for you, because that is your sole business. He has got to forecast everything.

Mr. BROWN. I can't do it. It would be impossible for me to do it. I tried that when I was a younger man, and I got stung.

The CHAIRMAN. Yet we are being called on to pass legislation to force the President to do that on every commodity, on labor, on how much money he will have to invest in a suit of clothes in November next year, and certainly if every American decided not to buy a new suit

of clothes next year it would affect employment. We have no way to compel people to buy clothes. We have no way to compel people to buy automobiles, refrigerators, washing machines, anything.

Mr. BROWN. If you adopt this bill he might find a way. I don't know.

The CHAIRMAN. Of course, I think he could find a way. I think the way is very simple. I read some excerpts this morning of how to do that, and we can profit by the experience of people who have already gone through the experimental stage and now have the finished product. I think we would certainly do that, but I am just wondering if the security that is supposed to follow that well planned economy might be worth the liberties that our people would have to give up.

Mr. BROWN. I am old-fashioned enough to believe that it would not be worth while.

The CHAIRMAN. I don't think anyone can dispute the fact that they had full employment in Germany.

Mr. BROWN. They probably have it in Russia today.

The CHAIRMAN. Until our bombers went over them. They had no slums, they had very fine housing facilities for all the people, a wonderful health program for all the people, child care, maternity care, all kinds of assistance for the aged and unemployed, yet any person who opposed the central government over there was placed in a concentration camp or work camp, and he never saw daylight again. I am just wondering if our people are sufficiently alarmed with the essential dangers of a planned economy.

Mr. BROWN. I don't think they are alarmed over it, because it has been placed before them in such a very wonderful manner—full employment and everybody is going to have a job, but eventually, if you put through this bill, the Government is going to support the people, and when they do that they tell the people what they have got to do.

The CHAIRMAN. The testimony of some of the witnesses who appeared before the Senate committee was that they thought the Congress would be morally obligated to carry out the promises made in this simple declaration.

Mr. BROWN. It is very evident they would. It is guaranteeing something.

The CHAIRMAN. If we don't intend to carry it out, we certainly should not be defrauding people by passing bills like this unless we intend to carry it out.

Mr. BROWN. That's right.

The CHAIRMAN. If we don't intend to carry it out by the passage of this bill we should let the people know it; if we don't, I think we are perpetrating a fraud on the people.

Mr. BROWN. I think so.

The CHAIRMAN. If Congress does pass this bill and we come to the point of providing jobs, we at the same time must try to find money somewhere to give them a job at a decent scale of wages. We couldn't ask them to work for \$30 or \$40 a month. We have got to pay them the prevailing wage. In the long run don't you think it would be impossible to get people to work in your textile establishment if this bill becomes law?

Mr. BROWN. I think so, in the long run.

The CHAIRMAN. Because certainly there are times when you cannot employ everyone in your industry, and when those times come, when the Government takes them off your shoulders and assumes the responsibility, they will never come back to you. Isn't that a fair conclusion?

Mr. BROWN. I think that is a fair conclusion to come to. Up to this time we people have been supporting our government.

The CHAIRMAN. Of course, that is old-fashioned thinking. They have been referred to as "village thinkers."

Mr. BROWN. I am an old-fashioned thinker.

The CHAIRMAN. Don't you think it is time to have a little more village thinking, as it has been called, and less thinking inspired by the thinking of Berlin and Moscow?

Mr. BROWN. I agree with that.

The CHAIRMAN. If their system is so much better than ours, it stands to reason that those governments would have been contributing men, material, food, clothing, munitions of war, airplanes, tanks, and so forth to us in the late war, instead of the other way. And they certainly don't have the tremendous national debt hanging over their heads that we have now. They should be talking of loans to us to restore our economy.

Mr. BROWN. That is one advantage, I think, in their economy, if you want to call it an advantage, they never have any debt because the people have to work and produce what they want, and that is all there is to it, and their money is just a little token for exchanging merchandise.

The CHAIRMAN. If we pass this bill, in order to start off right and profit by the mistakes made in Germany, don't you think it would be a wise thing not to try Dr. Schacht, or whatever his name is—Halmar Schacht—bring him over here and let him tell us how to finance these things? I don't believe anybody over here can finance them like he did.

Mr. BROWN. I don't believe so either.

The CHAIRMAN. And unfortunately Mr. Ley committed suicide. He certainly provided full employment for everybody. If we want to follow that ideology we should get those experts to start it off.

Mr. BROWN. I believe this is absolutely the first step toward communism or nazism or anything else you want to call it. They are all the same principle.

The CHAIRMAN. The poor workingman is just as bad off under one system as he is under the other. Isn't that true?

Mr. BROWN. I think he is worse off under the force system of work, being told where to work and what to work at and what he shall receive in money or food or whatever it is he is to get.

The CHAIRMAN. Of course, the Soviet constitution was perfectly open in their statement, if a fellow didn't work he didn't eat. In Germany they didn't have that in the constitution, they just killed him right off, so they both accomplished the same objective.

Mr. BROWN. The same general idea. The details are a little different.

The CHAIRMAN. Do you think that they might try to do the same thing in this country?

Mr. BROWN. Why not? There are people who are trying to get

us to take that same step. They want this thing brought out by some who have this idea in mind, that it is an opening wedge to get in and finally bring that sort of system to this country. Isn't it possible?

The CHAIRMAN. I have observed recently the trend. You know a liberal is supposed to be a very tolerant person, but I have noticed a lot of the people that call themselves liberal in this country are more intolerant of the system of government that made this country free, much more intolerant than the people that these liberals call extreme reactionaries. Haven't you noticed that?

Mr. BROWN. I have.

The CHAIRMAN. They would like to overthrow this government and establish state ownership.

Mr. BROWN. Yes, sir.

The CHAIRMAN. This is one country in the world where a man can express his political views without fear of being haled before a firing squad.

Mr. BROWN. That is liberal government. Nothing can be more liberal than that in the world any time. Under planned economy it is impossible for all people to have white collar jobs. Some must do the dirty work. We must have some fellows out there doing the job of foreman in order to keep the motors running. In a totalitarian government you have to have some system of force to compel people to go out and dig ditches and wade around in concrete and so forth.

Mr. HOFFMAN. I assume you have examined the statements of many of the proponents, the supporters of this legislation, have you not?

Mr. BROWN. I have seen quite a few of them.

Mr. HOFFMAN. In any of them did you ever see any provision whereby the employees for whom these jobs were to be furnished were to be required to accept and work at the job?

Mr. BROWN. I don't know that I have.

Mr. HOFFMAN. Do you know of any plan whereby either private industry or the Government could create jobs for a million or more employees unless there was some reciprocal duty on the part of those people to accept the jobs after they had been created, and work at them?

Mr. BROWN. I would say there is no way in the world to provide made work for people and come out with a profit, or have it even pay for itself the amount of money put into it. You are going to have a big deficit when you get through paying the bill on a made-work basis.

Mr. HOFFMAN. My thought goes a little further than that. It has always seemed to me that you can't ask industry or the Government to provide jobs at any useful work unless there is some assurance that those jobs will be taken by the unemployed and be worked at by the unemployed.

Mr. BROWN. There is a provision, I think, in most State unemployment insurance plants that if a man has been offered a job and doesn't take it, he cannot get the benefits. That is as near to it as I know of. And of course, the State cannot follow up on all those things. Sometimes the people have part-time jobs and collect, and sometimes they won't work at the job that has been offered them, and they still collect.

Mr. HOFFMAN. As I read this proposed legislation, I don't find in

it anywhere anything which would provide for a situation where, for example, the Government decided to build a highway, and then after it had the plans or after it had the grading and perhaps the sub-foundation and the steel made, when it came to pouring concrete, the fellow decided that he had a better job somewhere else or wanted to go fishing or hunting; there is nothing here that would make him stick to the job.

Mr. BROWN. Not a thing.

Mr. HOFFMAN. In justice to the taxpayer it has seemed to me there ought to be some reciprocal provision that after his money had provided the job, this man who is unemployed should take it, be forced to take it. I know that sounds like compulsion and regimentation, but I can't see where we are going to get to any other end. If the Government is to furnish the money, provide the jobs, it certainly, if the plan is to work, must be in a position to get value received.

Mr. BROWN. Well, that leads then to compulsion that we have been talking about here, the chairman and myself, which I don't like at all.

Mr. HOFFMAN. I don't either.

Mr. BROWN. That is getting to the communistic or nazism or any other tatalitarianism.

Mr. HOFFMAN. I don't want to tell a man he must work at a job he doesn't like, neither do I want to get into a situation where the taxpayers are forced to contribute their money to create a job when we haven't any assurance that anyone will accept the job and complete it.

Mr. BROWN. We haven't any assurance. That is one reason I don't want this bill passed at all, it is going to lead to just the thing you are talking about.

Mr. HOFFMAN. The bill provides that a man shall have a job at remunerative pay.

Mr. BROWN. Yes, that is right.

Mr. HOFFMAN. The Government fixes that by the minimum-wage laws.

Mr. BROWN. Yes, sir.

Mr. HOFFMAN. Then in all equity there should be a provision in the act that he will turn out so many units of work.

Mr. BROWN. That is right. But you are simply arguing, Congressman Hoffman, that to make this thing work you have got to compel men to work, and that is not an American principle.

Mr. HOFFMAN. That is right, and that is what this bill leads to, and if you are going to have a minimum-wage law, ultimately you will have to provide that the man who is forced to pay that minimum wage is entitled to receive a minimum of effort or productivity, if you want to call it that.

The CHAIRMAN. That is the reason I suggest it might be wise, if you are going to pass this bill, to include article 12 of the Soviet Constitution in it.

Mr. BROWN. I don't like it. I don't think we ought to pass this bill in any form. That is my feeling about it—or anything like it.

Mr. HENRY. Mr. Brown, do you believe that our government should always be absolutely honest with its citizens?

Mr. BROWN. Absolutely.

Mr. HENRY. Do you believe our government should ever do anything or ever say anything that even as much as smacks of deception?

Mr. BROWN. I agree with you.

Mr. HENRY. You don't think they should?

Mr. BROWN. No, sir.

Mr. HENRY. Do you believe that this bill is properly named when they call it the Full Employment Act of 1945?

Mr. BROWN. No, I don't think it is.

Mr. HENRY. And why do you think it is misnamed?

Mr. BROWN. Because I don't think it can be obtained, that full employment can ever be obtained by this method, or any other. There will always be somebody out.

Mr. HENRY. But on page 2, under paragraph (b) the bill provides that—

it is the policy of the United States to assure the existence at all times of sufficient employment opportunities to enable all Americans—

and so forth. Now, doesn't that convey the impression that the Government of the United States practically guarantees a job to every able-bodied person who is seeking full-time employment?

Mr. BROWN. It absolutely does. I don't see anything else to it.

Mr. HENRY. Then am I to understand that you feel that this is deception on the part of Congress if they pass such legislation under such a title?

Mr. BROWN. I think that some of our Congressmen may not realize what all this means, and might vote for it, but generally that is what it would be. It would be deception on the part of Congress.

Mr. HENRY. Isn't it a fact that most all of the people of our Nation who have been discussing this proposed legislation as the Full Employment Act of 1945 talk as if they think they will receive full-time remunerative employment if this becomes law?

Mr. BROWN. That is what they are looking for.

Mr. HENRY. Isn't it perfectly natural, then, to assume that if that is what they believe, and since this bill is known as the Full Employment Act, isn't it natural to assume then that there is some deception on the part of the framers of the legislation?

Mr. BROWN. I agree with you wholly on that.

Mr. HENRY. Now, among the policies and objectives that are set forth in this bill, what policies and objectives could not be carried into effect under existing law?

Mr. BROWN. I don't know as I understand what you are getting at.

Mr. HENRY. Well, it has been charged by certain people that this legislation is entirely unnecessary; that we have at present laws, and under our Constitution the President can today submit a budget as outlined in this measure and make such recommendations under which Congress may act.

Mr. BROWN. I believe he could, couldn't he?

Mr. HENRY. So do you know of any objectives or policies, as set forth in this bill, that could not be carried into effect today without the legislation?

Mr. BROWN. The President, if he wanted to do it, could do it at any time.

Mr. HENRY. In other words, this bill compels the President to do something which he may do now?

Mr. BROWN. That is right.

Mr. HENRY. What do you understand paragraph (e) on page 3 to mean?

Mr. BROWN. Well, that is a very broad statement and it would mean that the Federal Government, as I view it, should invest in factories, or build factories or anything else that it wants to build, in order to give employment, houses or anything else, and compete, after building those factories, with private enterprise, make any expenditure, which means anything at all for any purpose they see fit.

Mr. HENRY. Do you think it could mean this: that if private enterprise fails to provide jobs for everyone, those who are not provided a job, the Government will assure them work? In other words, not assure, but the Federal Government will provide such volume of Federal investment and expenditure as may be needed to assure all those unemployed a job?

Mr. BROWN. I believe that. In other words, the President, as I see it, may invest or build or buy or anything else, factories, automobile plants, or anything, and run them himself. That is investment. Expenditure is something else, as I view it. That is just giving men money to rake leaves or something of that kind.

Mr. HENRY. In other words, if we ran into an unfortunate period and there were as many as 10 or 12 million people unemployed, that could not find remunerative employment in private enterprise, it would then be the duty, under the provisions of this bill, of the Federal Government to provide employment for those people?

Mr. BROWN. Absolutely.

Mr. HENRY. Would that be an expensive undertaking on the part of the Federal Government?

Mr. BROWN. I think it would be a tremendously expensive undertaking.

Mr. HENRY. Do you think that the Federal Government under existing debt load could afford to assume any such responsibility as that?

Mr. BROWN. I don't see how they could. Somebody said here this morning, I think it was, that it would take \$5,000 to provide the machinery for one person in industry to work with and produce. Now, how many millions are you going to have unemployed? And you must multiply that much investment behind each one.

Mr. HENRY. What, in your opinion, would happen if this legislation passed and we had as many as 10 or 12 million unemployed, and the Government undertook to spend the necessary money to give all these people full-time, remunerative employment? What do you think would happen?

Mr. BROWN. I think our Government would change from its present freedom of the individual to one where he was compelled to work where he is told to work and do what he was told to do at whatever price was paid him by the Government. I think the Government would finally take over every bit of enterprise in this country.

Mr. HENRY. How would the Government raise the necessary money, through taxation or through borrowing?

Mr. BROWN. No, they could come to my little plant in Philadelphia and say, "We want to take this over." like the Bank of England was taken over recently, and say, "Here is some Government bonds that will pay you 2½ percent interest. That pays for your factory that we are taking over." They wouldn't have to—that is, the public wouldn't have to issue anything.

Mr. HENRY. I don't think that would be the steps that our Government would take. Don't you think that the first probable step that

our Government would take under such a set of circumstances would be to attempt to tax our taxpayers first more if they could, and failing in that, they would attempt to sell more bonds and place the Government still further in debt, and failing in that, they would be compelled perhaps to take the next step, which would be to print some currency?

Mr. BROWN. Well, this whole thing is very inflationary, along with several other measures you have got in Congress today.

Mr. HENRY. If they did have to adopt any one of those three steps I have just crudely outlined to you, what would perhaps be the next step they would have to take if those three remedies failed?

Mr. BROWN. They would have to take over everything, repudiate the currency and start all over again.

Mr. HENRY. Would it not mean a complete change in our form of government?

Mr. BROWN. Absolutely.

Mr. HENRY. In your opinion is there a difference between assuring the free exercise of the right of an opportunity for employment, and guaranteeing such right?

Mr. BROWN. I don't think there is to the average man on the street. I think it is the same thing to him, assuring him something that he doesn't quite understand except as a guaranty. I know if I go to one of my employees and say: "Joe, I am going to keep you here for life and I assure you I will do that," he expects me to keep him for life.

The CHAIRMAN. The dictionary defines "assurance" as "to make sure or certain; to inspire confidence by declaration or promise."

Mr. BROWN. That is right close to a guaranty. The guaranty has it in writing.

Mr. HENRY. There has been considerable discussion about the use of the word "assure." Some people say that doesn't mean to guarantee, but the dictionary seems to feel that the words are synonymous. Do you think it is reasonable to assume that public expenditures can be turned on and off with that precision of timing that would be essential to the successful control of business cycles?

Mr. BROWN. I don't think any human being can do that properly and at the right time.

Mr. HENRY. Do you think it is feasible to base legislation on forecasts?

Mr. BROWN. No, sir.

Mr. HENRY. That is all, Mr. Chairman.

The CHAIRMAN. Do you have any further statement you would like to make, Mr. Brown?

Mr. BROWN. Not that I know of, unless you think of something, Mr. Chairman.

The CHAIRMAN. We thank you very much for your statement.

Mr. BROWN. Thank you, sir, for giving me the opportunity to appear here.

The CHAIRMAN. The committee will stand adjourned until Monday morning at 10 o'clock.

(Whereupon, at 3:15 p. m., the committee adjourned until 10 a. m., Monday, October 29, 1945.)

FULL EMPLOYMENT ACT OF 1945

MONDAY, OCTOBER 29, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES IN EXECUTIVE DEPARTMENTS,
Washington, D. C.

The committee met at 10 a. m., Hon. Carter Manasco (chairman) presiding.

The CHAIRMAN. The committee will come to order. We have this morning Hon. John W. Snyder, Director of War Mobilization and Reconversion. Mr. Snyder, you may proceed.

STATEMENT OF HON. JOHN W. SNYDER, DIRECTOR OF WAR MOBILIZATION AND RECONVERSION

Mr. SNYDER. Mr. Chairman, I have some prepared testimony here, copies of which are on the way. May I read from the prepared testimony?

The CHAIRMAN. Yes.

Mr. SNYDER. Mr. Chairman and members of the committee, I welcome the opportunity of appearing before this committee with reference to full employment. There is no more important issue before the Nation than that of our economic future. In the eyes of our citizens, and indeed of the entire world, the attainment and maintenance of full employment in the United States of America is looked upon as evidence of the strength of our system of free enterprise.

The bill you are considering is extremely important to that end. Such legislation deserves and has the firm support of the administration.

You have given this measure the title of the full-employment bill. It sets for the objective of job opportunities for all those able and desiring to work. In an advanced industrial society such as ours most persons work for somebody else. That means they are wholly dependent on wages and salaries as their means of livelihood. To these tens of millions of workers, continuous job opportunities are vital, not only for enabling them to purchase the goods and services which sustain life, but also for the maintenance of their self-respect and their status as free individuals in a free society.

Employment is also a yardstick by which we measure the health and well-being of our national economy. When unemployment reaches up into the millions, we know that trouble lies ahead for all of us; not alone in terms of human misery, but in lost wealth, lost national progress, and lost opportunity for growth and development.

It sums up to this: That in working out means to promote full employment we are actually working out our future as a nation. We

are looking at production and agriculture and labor, at trades and services and all segments of our national economy, from the standpoint of building a stable and lasting prosperity. We would budget for prosperity.

The war years have taught us what income and employment can be brought to the country by full production. The depression years gave us also some very grim lessons in what happens when unemployment spreads through our economy.

These lessons are applicable to our future. The wide cyclical swings of our economy from boom prosperity to depression have recurred again and again, in 1893, in 1903, in 1907, in 1920, and again, the catastrophe that we all remember, in 1929. I see no reasonable assurance that we can avert the same cycle in the future unless we prepare now, and act now, to set up machinery designed to aid the country in preventing the recurrence of such stagnation and chaos as we have suffered repeatedly in the past.

Between 1929 and 1932, the volume of goods and services produced in this country fell by more than a fourth.

Because prices fell also, the value of the total output dropped 44 percent.

At the depth of the depression, unemployment reached 15 millions and the annual average for 1932 and 1933 was some 12,500,000 persons unemployed. Total wages and salaries fell from \$52,000,000,000 in 1929 to \$31,000,000,000 in 1932. Corporate profits before taxes fell from more than \$8,000,000,000 in 1929 to losses of more than \$3,000,000,000 in 1932—an actual decline of almost \$12,000,000,000. The net profits of farmers and unincorporated business fell from more than \$13,000,000,000 to less than \$5,000,000,000.

It took us 8 years—until 1938—to climb back where we were in 1929 in terms of total output. But in 1937 we had an average of seven or eight million unemployed. Full employment would have raised our national output and our national income far beyond 1929, as the war years have so dramatically demonstrated.

These are the economic losses we suffered. The human losses can never be calculated. We do know that full employment during the thirties would have permitted every man, every woman, and every child in the United States to live 25 percent better than they did in terms of money spent. In human terms, the value of full employment is the higher standard of living it would permit, and freedom from economic fear. Better food, more adequate clothing, better medical care and education, travel and recreation—instead of bread lines and slums and one-third of a nation ill-fed, ill-clothed, and ill-housed.

During the period of economic reverses I have described, I was a banker. I remember vividly the hundreds of bank failures that swept the country. I had the job for the Government of liquidating the closed national banks of Missouri. The tragedies of that period were close to me. Thousands of home owners and farmers lost their property through foreclosure. In States near Missouri, the farmers rose in armed revolt and forestalled sale of their property by the use of force.

Such grave economic conditions are the greatest danger to the preservation of our free-enterprise system. The purpose of any sys-

tem is to provide well for the people who live under it. Our system, our country will have failed them, if it does not provide adequate employment. Ten million veterans of the war, men and women who have served their country well throughout the conflict, are returning to their homes. We do not wish to disappoint them. We do not wish to say to them, a few years hence, that there are not enough jobs to go around—that there is another depression threatening. The misery and fear produced by widespread unemployment are fertile soil for demagogues who seek in devious ways to overthrow our American system of free enterprise and democratic government.

I have discussed the effects of depression upon our economy. As a nation, as a people, we cannot afford them. The truth of the matter is that we cannot afford to revert even to such peacetime peaks of production as we had in 1940. Our labor force has increased, our plant and equipment have expanded. Because of these factors, if we produce in 1947 or 1948 no more than we did in 1940, we will have not merely the seven or eight million unemployment which we had in 1940—but it is estimated that we will have many millions more.

There is no easy path to sustained full employment. I believe that the enactment of a bill such as is before the committee is the necessary first step. But gearing this Nation to full production and full employment is a complex problem. It calls for thoughtful use of all the facilities of the Nation, those of business and agriculture first, and afterward, in concerted action, those of State, local, and Federal Government. The Federal Government would attempt to create an economic climate favorable to our competitive free-enterprise system so that it can generate full employment and full production.

Primarily, we must have an adequate market. It was the wartime market which brought full employment to all the normal labor force, and even drew 7,000,000 extra workers into our economy in the last 5 years. Given the market, American business and American labor did the job of turning out goods. We witnessed again the magnificent organizing and producing ability of American industry.

What we require now is a civilian market for peacetime production to replace the Government purchasing of the war years. Assurance of an adequate market will provide a foundation on which to build full employment and full production. Given adequate demand, business will come through with production—and jobs—in peacetime, just as it did during the war.

The demand in these days just after the war is excessive, spotty, and abnormal. It is made up of the deprivations of the war years, both here and abroad, when so many of the things people were accustomed to buy could not be produced, and when so many other things were worn out or destroyed. It is this demand, dammed up through the war, that causes some individuals to believe we do not need to give any deliberate thought to budgeting for full employment and full production. Nothing can be surer than that this abnormal demand will run out. Nor can demand be supported out of accumulated savings alone. A sustained market depends upon spendings of current wages, profits, and earnings.

It is scarcely feasible to forecast what will happen when the war-generated demand begins to be satisfied, and I certainly shall not attempt to do so. Some people feel that steady employment and

production may "just happen" without budgeting. But I don't think so, and I don't believe you do. We have had depressions again and again in the past. We certainly cannot prevent depressions in the future by pious hopes and wishful thinking. Full employment did not "just happen" in wartime. We achieved the enormous production of the last 5 years by deliberately coordinated effort of every portion of our economy. I see no real hope that we shall, in peace years, have a stable and lasting prosperity unless we deliberately work toward that goal.

As I understand the full-employment bill now before this committee, it will first of all establish as the **firm objective of the Government**, executive and legislative branches alike, that we will work for full employment and full production.

The bill uses the word "assure." The meaning of the word as it is used here has aroused some discussion. I believe that it means that the Government is to assume a definite determination that there should be jobs for those who desire to work. It does not mean that we will guide every individual from job to job.

I would like to call your attention to a definition of the word "assure" as used by Mr. Ralph Flanders, chairman of the Boston Federal Reserve Bank, and also chairman of the research committee of the Committee for Economic Development. In his testimony before the Senate Committee on Banking and Currency in favor of the Senate full-employment measure, Mr. Flanders remarked that "assure" means that—

the man or woman out of work has the right to expect that all responsible elements of society, and particularly the Government, will use all appropriate and effective means to assist his own best efforts in finding productive and profitable work.

I think that is an excellent definition of what "assure" means.

Full-employment legislation must establish national policy on accomplishment of the objectives recommended by President Truman in his message to the Congress on September 6. Procedures and machinery would give the following assurances:

Assurance that all facts about full employment and opportunity will be gathered periodically and made freely available to everyone.

Assurance of stability and consistency in public policy so that free enterprise can plan better by knowing what the Government intends to do.

Assurance that governmental policy and progress will be pointed toward the goal of promoting maximum production and employment in private enterprises.

Assurance that priority will be given to doing those things first which stimulate employment and production most.

The machinery set up in the bill will call for a new type of budget, such as has never before been planned and submitted to the Congress. Our previous Federal budgets have dealt with the income and expenditures of the Government. In setting full employment as our goal, we will draw up a new budget—a budget that will weigh all aspects of our economy in terms of how many jobs they will produce. We will reexamine all the economic policies of the various Government departments so as to alter those which may not contribute to an over-all schedule for full employment and production.

The question has been raised as to whether or not this legislation is needed in order for the Executive to prepare and present to Congress such a budget as is provided in the bill. The answer, it seems to me, is simply that any real effort to solve the basic problem of full employment should receive the sanction of the Congress and be embodied in legislation. We are embarking upon a major venture. It is Congress itself which must lay the foundation, lay down the fundamental policy and establish the basic machinery under which we are to proceed. Nothing short of congressional sponsorship, guidance, and support will, in my judgment, be adequate to make a start upon the gigantic task before us.

The second aspect of the procedures under the bill provides for integrating the executive and legislative actions of the Government to gear in with the needs as shown by the budget. The bill itself sets up a number of fields in which it suggests the administration and the Congress could act, including taxation, banking, credit, and currency; monopoly and monopolistic practices; wages, hours, and working conditions; foreign trade and investment; agriculture; education; housing; social security; natural resources; the provision of public services, works, and research; and other revenue, investment, expenditure, service, or regulatory activities of the Federal Government.

Responsibility in these fields already has been fixed upon the Federal Government, and legislation has been passed in all of them. The new step to be taken under the bill will require that all of them be integrated into a common policy, and that all legislative actions affecting our economy be measured against the yardstick of this new budget, as proposed by the administration, and set up by the Congress.

The particular virtue of this bill lies, I believe, in this very fact that it brings all forces of Government—executive and legislative—to bear upon this one vital objective—to achieve, in our Nation, a stable prosperity based on free enterprise and upon full employment and full production. Taxation, for instance, is something which affects us all, individually and collectively, and which ought not to be considered apart from the rest of our economic measures. Taxation cannot be considered exclusively as a means of raising revenue. Excise taxes, for instance, are in reality a form of sales levy which can act as a brake on buying power. Excess-profits taxes can check the expansion of venture capital. It is imperative that taxation and other measures be closely integrated with our program for full employment.

This bill provides for such integration. Not only does it call for new procedures in preparation of a National Budget by the executive and legislative branches of the Government. It also calls for a new procedure by which the entire budget can be considered as a whole by the Congress. It provides for a joint committee on the National Budget and for a joint resolution setting forth for the ensuing fiscal year a general policy to serve as a guide to the several committees of Congress dealing with applicable legislation. In this way the bill will give us a means by which each House of Congress can debate at one time the entire governmental program for a given fiscal year. I believe this is a tremendous step forward in the development of governmental machinery for the consideration of broad national policy.

We all know that we must take positive steps to help achieve these goals. I hope it is not going to be necessary to suffer another catastrophic depression to awaken us to the need for establishing a mechanism for systematic attack on economic instability. In a free capitalist economy, some fluctuation is inevitable and must be accepted as part of the way which the system operates. What we seek to avoid are the wide cyclical swings which, in the past, have brought ruin and chaos to great areas of our people, our business, and our economy.

Businessmen have an important part to play in the effort we must make. So do farmers and workers, as well as local, State, and Federal Governments. The achievement of full employment is not a job for one group alone because that is not the way democracy works. It is not the way free economy works.

The Federal Government, acting on behalf of all the people, must adopt measures which will, I believe, be the determining factor in whether we revert to outdated and unwanted partial employment, or whether we reach and hold full employment and production.

In a sense, there is nothing new in this. The Federal Government has always been held responsible by the people for the prosperity and welfare of the people. The Federal Government has always endeavored to lend its assistance to producing a favorable climate for prosperity. I think we all realize that these new times, these new hopes of mankind, demand a modernized approach to the task.

One thing we learned from the war is that when the Nation has a central objective, such as production for war, all branches of the Government, and all policies of the Government, have to be oriented toward that goal. I think another lesson of the war is that this Nation can achieve any goal provided it is clearly stated and the whole people are united in their drive toward that goal.

If, therefore, we set our peacetime goal as full employment and full production, I believe that we can attain it.

The goal must be clearly stated by the Congress, and the Government must be organized toward that achievement. The policy and the machinery must be set up by legislation.

Before closing my testimony, I would like to point out some of the mistaken ideas that appear to have grown up about this bill. In the first place, this bill is not a deficit spending measure. Rather, this bill declares that the Government will encourage primarily private purchase of the products of private industry. First reliance in all cases will be upon our system of free enterprise and upon creating for it favorable economic conditions. But to help prevent serious and prolonged depression, to tide us over for short periods until markets are restored, there may be Government investment in needed public works of practical value that have been well planned in advance. The Government budget for such purposes will, of course, be subject to careful review under the proposed National Budget and by the joint congressional committee for which it provides. Such appropriations also must be authorized by regular legislation and will be subject to the usual scrutiny of the appropriations committees and the Congress. There cannot be too much emphasis on the principle embodied in this bill—that our main reliance for jobs will be upon expanded private consumption and private investment.

In the second place, this bill does not mean Government owner-

ship, Government competition with private business, or more Government regulation of private business. What the Government can and should do is to establish such policies as fall within the traditional realm of Government responsibility—taxation and social security, for instance—which will assure conditions that make it possible for business to provide jobs. This is the only real solution of unemployment.

My task in reconversion is one of redirecting from war to peace the four main resources from which the health of our economy springs: Our manpower, our raw materials, our plant and equipment, and our managerial skills. It would be a useless task if it did not have as its goal full production and employment—a high standard of living and long-range stability.

Unemployment is a problem which we can do something about. It does not occur because of an act of God. Nor can it be prevented by amiable wishes and pleasant attitudes. Maintaining full employment in an economy with the huge and growing productive capacity of the United States will be a difficult job. It calls for careful attention to every public measure which affects economic activity in the country. The problem of depression is not one which can be solved by patchwork devices hastily adopted after the disaster has struck. What we need is an organized attack ahead of time. In time of prosperity we must lay plans to preserve that prosperity.

Therefore, the mechanism by which we will attain our long-range goal should be established now. If this is done, present policies can readily be integrated with long-term measures and the new machinery can be functioning effectively by the time we have finished our immediate task of reconversion.

I hope that Congress will adopt an efficient mechanism for mobilizing the resources of the country—both private and governmental—for the attainment of full employment and production. I believe that a mechanism such as this bill proposes is a tremendous step toward the attainment of this goal.

I wish to state again that full-employment legislation has the full and firm support of the administration. Prompt and favorable action is of utmost importance. We cannot begin too soon.

The CHAIRMAN. You cited the wartime as a period of full employment. Is it quite fair to use the wartime as a period of full employment, when you take into consideration the fact that we had over 12,000,000 men in the armed forces, who were out of production, we had 2½ million more Government employees than in peacetime, we had ten or twelve million war workers producing the weapons of war that could not be used in our normal peacetime needs, such as bombers, munitions, ships, and so forth? Is that quite a fair period to compare?

Mr. SNYDER. Well it is a period from which we can show what the good effects of full employment are.

The CHAIRMAN. But didn't we have to borrow money from unborn generations to give that employment?

Mr. SNYDER. That is definitely true in a war.

The CHAIRMAN. You wouldn't want to continue borrowing money from unborn generations?

Mr. SNYDER. I would not; no, sir.

The CHAIRMAN. So, after all, in the wartime we had over 20,000,000 people who were not engaged in producing goods for the consumer.

Mr. SNYDER. Yes; but we learned that we could develop markets when we developed products, and, if we get progressive efforts behind it, we can create markets to buy these things which will replace Government expenditures.

The CHAIRMAN. You referred to the 1929 period. Didn't we have full employment in 1929?

Mr. SNYDER. Not according to the records, we didn't.

The CHAIRMAN. As I understand it, when 95 or 96 percent of those employable are employed, that is considered full employment. Isn't that what they call full employment?

Mr. SNYDER. Did we have that many in those days?

The CHAIRMAN. The charts we were shown the other day indicated we did.

Mr. SNYDER. I would like to get some figures on that for you.

The CHAIRMAN. I would like to have them for the record. If this bill had been in effect at that time, what could have been done to prevent bank failures?

Mr. SNYDER. I don't think anything could have been done overnight. We have to start looking ahead, and seeing trends. If we wait until after the thing happens, the bill isn't suddenly going to help save the day.

The CHAIRMAN. What could have been done to prevent the holders of mortgages from foreclosing their mortgages without a moratorium?

Mr. SNYDER. We had quite a boom in those days. If we had had a department where the Government was studying trends—

The CHAIRMAN. Hasn't Congress, since that time, passed legislation that would enable the Federal Government to prevent too much speculation on the stock market?

Mr. SNYDER. That is true. There was an act designed to prevent that.

The CHAIRMAN. We passed the bank-deposit-guaranty law, which guarantees deposits up to \$5,000 in banks.

Mr. SNYDER. That is true.

The CHAIRMAN. We have done quite a few things designed to correct the conditions that existed then.

Mr. SNYDER. That is true.

The CHAIRMAN. Even after all those laws were passed, we still had, in 1937, according to your statement, 7½ million unemployed, and about 9 million unemployed in 1939. That was even after we had passed all that legislation.

I notice in your statement you suggest coordination of our legislative program. In other words, if this bill becomes law, the President is to send down an annual budget, and that is to be considered in its entirety in one bill; is that what you mean?

Mr. SNYDER. Oh, no. That is to present to Congress the various elements of the proposed budget for guiding the economic conditions of the country. Congress has a right to look at it separately—partially.

The CHAIRMAN. If they don't pass the entire program, then the responsibility for any depression that might come after this bill becomes law, would be placed on the Congress and not on the administration; is that your position?

Mr. SNYDER. Congress is much better informed, by its large membership, and the responsibility does rest greatly upon the Congress.

I think you want it that way, Mr. Congressman. You wouldn't at all want to have just one man telling this country what it should do or shouldn't do. You want a broad representation.

The CHAIRMAN. I was afraid I misunderstood your position on that. I thought you said we were to proceed to pass the whole program as sent up here by the Chief Executive.

Mr. SNYDER. I don't think Congress would ever do it. I don't think the Congress was ever pledged to do such a thing.

The CHAIRMAN. If we failed, we would be the ones held responsible.

Mr. SNYDER. If it turned out that that would have been the proper thing to do, I suppose you would.

The CHAIRMAN. The President, under the Constitution, already has authority to transmit budgets and any kind of message he wants to send to Congress. Is there anything in this bill the President cannot do now, except create the joint committee?

Mr. SNYDER. That would be all.

The CHAIRMAN. That is the only thing that cannot be done by him under existing law?

Mr. SNYDER. The main thing in this bill is Congress telling the Nation that they are definitely behind the creation of machinery to see to it that everything possible is given consideration in trying to prevent in the country another such experience as we have gone through.

The CHAIRMAN. After everything is done under the machinery set up in this bill to promote full employment by private enterprise, if we then find there were still 8,000,000 people out of work next year—I believe you said we would have 8,000,000 out of work next year—the Budget said we would have 8,000,000 out of work next year—then what can we do under this bill?

Mr. SNYDER. Well, we need a lot of public works, highways and things of that sort, public buildings.

The CHAIRMAN. You would undertake to give 8,000,000 people employment on Federal works?

Mr. SNYDER. Well, it would be natural to stimulate other business, develop foreign markets, and things of that sort, and with the Government securely and squarely behind it they could get it much more implemented—

The CHAIRMAN. We are doing everything we can now to stimulate foreign markets.

Mr. SNYDER. That is part of this whole program.

The CHAIRMAN. It seems all the foreign markets that are created want credit from our country.

Mr. SNYDER. The unemployment is not necessarily due to a lack of foreign markets, or markets of any kind. In the switch-over from war to peace, getting business restored; and getting sales forces started and organized, and getting people to switch from one kind of work into a new kind of work, that will be the force that will bring about the unemployment in the immediate future, and not necessarily the necessity for public works.

The CHAIRMAN. Is it going to help American industry and the American worker to stimulate our foreign markets for our goods to have us furnish the money to purchase those goods from us?

Mr. SNYDER. Well, I don't advocate our furnishing all the money for foreign markets; no, sir.

The CHAIRMAN. A lot of our friends across the sea want us to furnish all the money, machines, and the work. You wouldn't advocate that?

Mr. SNYDER. No, sir.

The CHAIRMAN. That would be just like building ships over here and tying them up in the inland rivers so far as building up wealth in our country is concerned. Now, after everything has been done to give full employment, and we still have these 8,000,000 on public works, how much would you pay those people?

Mr. SNYDER. Well, that is a matter that would have to be worked out.

The CHAIRMAN. As you know, under existing law, if this work is done by a private contractor, they must be paid the prevailing wage in each community, and we have had some figures submitted to our committee to the effect that a decent standard of living wage would be \$3,075 for a family of four. Would you advocate that much pay?

Mr. SNYDER. I would have to study that angle of it.

The CHAIRMAN. If we were to do that and we were to give jobs to the 8,000,000 unemployed by employing them on Federal projects, that would cost a little over 24 billion dollars next year, would it not?

Mr. SNYDER. Well, we couldn't possibly do it next year, because we haven't the plans ready. I wasn't contemplating that this next year's unemployment would be cured by any such measure as this, because we wouldn't have time to get the machinery of it in operation. And, as I say, it isn't because of the lack of demands for products that this unemployment may develop in the next year, but it is the lack of ability to switch the mechanism of industry from wartime to peacetime operation. It takes time to retool factories, to readjust projects, to develop for peacetime production the products that were discovered during the war. It takes a little time to swing over.

The CHAIRMAN. These 8,000,000 people; if we do give them employment, we would have to buy material, unless we have them raking leaves. Doesn't it cost about five or six thousand dollars a year in equipment and materials, and so forth, to give a man a job?

Mr. SNYDER. Well, it all depends on the type of work he is doing.

The CHAIRMAN. Well, if it is on useful public employment, like building highways, river and harbor improvement, air fields?

Mr. SNYDER. I would like to look into that.

The CHAIRMAN. That expenditure would also have to come out of the Federal Treasury. That would run a minimum of 35 or 40 billion dollars.

Mr. SNYDER. The Federal Government is planning a great number of Federal buildings, highways, and public works, anyway, as I understand it, over a long-range period. If I have given the impression that I think this is a panacea for next year for this immediate unemployment, I want to rectify that now. This is a long-range picture. By next year you couldn't possibly get the thing squared around to meet the situation. The best thing we can do here is to encourage industry to speed up its reconversion as rapidly as possible, because I think the demand that is now present for commodities and capital goods is ample to put everybody to work in a hurry, if we can

just get switched over to it, and there will, of necessity, be no heavy public expenditures for projects of that sort. This is a long-range view.

The CHAIRMAN. In other words, if the bill were to pass today, there wouldn't be a single person given a job under this bill for over a year?

Mr. SNYDER. Well, I don't know just the exact time it would involve, but it would take time to get it set up and into operation. It will take time to work up the new correlation of plans and that sort of thing. We have seen how long it does take to get a new project in motion.

The CHAIRMAN. Since the President already has the authority to transmit this National Budget to us, I wonder if it would be asking too much, to ask that he transmit one in January, so that we can study it and see just what should be done under it.

Mr. SNYDER. You are going to hear the Budget Bureau on this—

The CHAIRMAN. We have heard the Budget, and they said they could try. I don't know whether they are preparing the Budget now or not, but if they do, I think it would be very interesting to see what kind of a budget they propose. We all admit now that this bill, if it were to go into effect today, would not give a job to anyone under 14 months.

Mr. SNYDER. No one, I think, even proposes such a thing. This is long-range legislation we are considering here.

The CHAIRMAN. If the President were to transmit a budget to us in January, and we were to look it over, and Congress thought it was a good idea, don't you think that would make the people have a little more confidence in what might be anticipated under the provisions of a bill like this?

Mr. SNYDER. It might, possibly.

The CHAIRMAN. And it wouldn't hurt anything to wait to see that budget, so far as giving jobs to anyone is concerned.

Mr. SNYDER. Of course, it would put it off that much longer in getting the thing started.

The CHAIRMAN. I know, but that wouldn't be putting it off, because the President already has the authority to transmit that budget. We would have ample time to pass this and all the enabling legislation. It will take a lot of enabling legislation.

Mr. SNYDER. That is true. That is why I don't want to delay any longer than is necessary.

The CHAIRMAN. Will you turn to page 3, line 8, paragraph (e) of H. R. 2202?

Mr. SNYDER. Yes, sir.

The CHAIRMAN. What effect do you think it would have on this bill if we struck that out?

Mr. SNYDER. Well, I don't know just what the full implication of that might be. If we are going to take all Federal investment and expenditures out, such as the building of court houses, post offices, and things of that sort—that was all considered under Federal expenditures and investment, and it would be necessary, of course, to the proper carrying out of the machinery of the proposed legislation. So if you knock out the whole thing—

The CHAIRMAN. That wouldn't keep us from appropriating money for courthouses and postoffices, or anything. With that provision in there a lot of people assume it guarantees everybody a job.

Mr. SNYDER. There is no intent of guaranteeing everybody a job.

The CHAIRMAN. If that were stricken then, it wouldn't hurt the bill?

Mr. SNYDER. I would have to reread it very carefully to see just what the effect would be.

Mr. COCHRAN. Will the gentleman yield?

The CHAIRMAN. Yes.

Mr. COCHRAN. Do you see anything at all in this bill, Mr. Snyder, that would produce one job, the bill itself?

Mr. SNYDER. Creating a guarantee of a single job, no.

Mr. COCHRAN. In the bill itself.

Mr. SNYDER. No.

Mr. COCHRAN. The bill only establishes a policy but the bill doesn't produce one job.

Mr. SNYDER. That is right.

The CHAIRMAN. So if we strike out this section, it wouldn't hurt the bill at all?

Mr. SNYDER. I am not sure of that, Mr. Chairman; I would have to study that.

The CHAIRMAN. You are talking about reconversion. We have had quite a few people criticize the Congress for not taking more action in the reconversion program. You wouldn't advocate, if this bill were to become law, the passage of a strict, antistrike law, which in itself aids in reconversion, would you?

Mr. SNYDER. What kind of a bill have you got in mind?

The CHAIRMAN. I don't have any. I would be opposed to one. But there are a lot of people for it.

Mr. SNYDER. I think we have got to have collective bargaining. I don't think we can lay down a strict antistrike law, unless there is some agreement among the parties as to the clauses in the agreements—

The CHAIRMAN. I have heard a lot of criticism of Congress and the Administration for failing to take steps to stop strikes, because people say that is delaying reconversion. In the case of a strike in one of the strategic industries, say, the ballbearing industry, which would affect every other industry that produces automobiles, locomotives—if that strike occurred in the ball-bearing industry, then would you undertake to give all the people in those industries that are thrown out of jobs a job on a Federal works project?

Mr. SNYDER. Well, this doesn't propose to do any such thing as that. This doesn't give a job to anyone. This is just a guaranty that the Government is behind it trying to create an economic condition in the country that would provide jobs.

The CHAIRMAN. It is a commitment on the part of Congress to assure jobs. That is the paragraph I just read. That commits us to give jobs.

Mr. SNYDER. I don't read it that way. I don't see that you guarantee everybody a job.

The CHAIRMAN. We assure everybody a job.

Mr. SNYDER. The entire language here—if you will note the tenor of the testimony I rendered—is that such legislation should be passed. Not necessarily advocating this particular bill in its entirety, but legislation along the lines proposed in this bill is what the administration is advocating.

The CHAIRMAN. I will not take any more of your time, Mr. Snyder. Mr. Hoffman, do you have any questions?

Mr. HOFFMAN. Yes. Mr. Chairman and members of the committee, I would like tomorrow, if Mr. Wallace, and the next day, the Secretary of the Treasury, are to testify, that they have their statements up here the day before, so that we can look them over. Now, here are better than 4,000 words; we didn't get this statement until the witness had almost concluded his remarks. It is impossible to ask him about the matters in it unless we have it beforehand. If they can do that, I would like to have it done.

Mr. SNYDER. Mr. Congressman, I make due apologies for the lateness in getting this testimony up here; but, for your information, I appeared before four committees last week, and we are working day and night to get this out. This went to press last night late, and just came off. I assure you of my apologies for not having it here.

Mr. HOFFMAN. I was not finding any fault with that, but I think you can see that the value of a statement like this made by a witness depends to a very great degree upon the extent to which we are able to learn the facts and the reasons for the conclusions expressed in it.

Mr. SNYDER. I agree with you thoroughly.

Mr. HOFFMAN. Otherwise, it is like a Congressman's speech; it may or may not be informative. I was not criticizing.

Mr. SNYDER. I wanted to explain the tardiness, which, as I say, we regret.

Mr. HOFFMAN. I can see that you gentlemen in the departments cannot be in two or three places at the same time.

Now, on the title page of your statement, I find that you are Director of War Mobilization and Reconversion.

Mr. SNYDER. That is right.

Mr. HOFFMAN. Do you still have duties on the war-mobilization end of it?

Mr. SNYDER. Those are pretty well taken care of.

Mr. HOFFMAN. So we may, for the purpose of this hearing, forget that?

Mr. SNYDER. Yes, sir.

Mr. HOFFMAN. Have you noticed in the magazines of national circulation recently how many ads there are of corporations who now say that they have their products ready to go on the market?

Mr. SNYDER. Yes.

Mr. HOFFMAN. That is to say, Ford has advertised he has automobiles, I think Buick has. Do you recall others—Oldsmobile has.

Mr. SNYDER. Yes; and Willys-Overland has their jeep in production now.

Mr. HOFFMAN. Aren't electric razors back?

Mr. SNYDER. They hope to have them on the market pretty soon.

Mr. HOFFMAN. And electric refrigerators, washing machines.

Mr. SNYDER. Washing machines are coming off now, sir.

Mr. HOFFMAN. You know the general over-all situation as to reconversion, do you not?

Mr. SNYDER. Yes, sir.

Mr. HOFFMAN. What would you say as to whether, speaking generally, industry has or has not done its part in the effort to get ready for reconversion?

Mr. SNYDER. Industry has done a very fine job in making the plans and getting ready their projects, and getting their markets ironed out. They have had to get their sales forces established, because they

all disappeared during the war. They have had to go out and seek new materials to go into their products. They have had quite a number of adjustments to make. But reconversion has gotten off to an awfully good start.

Mr. HOFFMAN. Sitting here in Washington, with Government employees at your service, do you have a fairly comprehensive look at the whole national situation of reconversion?

Mr. SNYDER. We get reports from every department in the Government. We have weekly meetings of the heads of some 15 different agencies and departments in the Government, to bring us up to date. My office does not have a large staff. The law under which Congress created the office specified that we should use established agencies for the majority of our research work and so forth, so we rely largely upon the reports we get from the War Department and the Navy, as to what they are doing in releasing plants, equipment, machinery and material; the Commerce Department on the activities of industry; and the Federal Reserve Bank, for the demands for funds for production, reconversion, and so forth. It is through these various agencies, and the Budget—they sit in on our meetings—that we gather our information which gives us a pretty fair view of what is going on.

Mr. HOFFMAN. You know of no one, either in Government or in private life, who has a more comprehensive look at the situation insofar as reconversion is concerned, do you?

Mr. SNYDER. I wouldn't want to venture such a boastful statement. I feel I know pretty well what is going on.

Mr. HOFFMAN. I am not critical at all. I just can't conceive of anyone in the Government, or outside the Government, who should and who does know more about this reconversion problem than you do. Now, you modestly agree with that, don't you?

Mr. SNYDER. I think we know a great deal about it, but I wouldn't want to say we know more than anyone else.

Mr. HOFFMAN. Have you anywhere in the picture seen any disposition on the part of industry to indulge in a sit-down strike on the reconversion problem?

Mr. SNYDER. I know of no specific cases; no.

Mr. HOFFMAN. Do you care to express any opinion as to whether the statement of General Motors, published in this morning's paper, and made, as I understand, to the Administration here in Washington several days ago, as to the return of the 45-hour week, would have any effect on this unemployment problem?

Mr. SNYDER. I am not at all certain about that.

Mr. HOFFMAN. Now, on page 3 of your statement, the last paragraph, you say that in 1932 and 1933, the average unemployment was 12½ million, and you cite the fact that total wages and salaries fell a certain amount, from 1929 to 1932. Was there any drop in total wages and salaries in 1932 and 1933, from 1931?

Mr. SNYDER. I haven't got the figures here, but I can get those for you. Those continued to drop.

Mr. HOFFMAN. You say that corporate profits before taxes fell from more than 8 billion in 1929 to a loss of more than 3 billion in 1932, an actual decline of almost \$12,000,000,000. I note from this that farmers and unincorporated business profits fell from more than \$13,000,000,-

000 to less than \$5,000,000,000. On the basis of percentages corporations took a worse beating than either farmers or those engaged in unincorporated business, didn't they?

Mr. SNYDER. According to these figures, they did.

Mr. HOFFMAN. Did someone else prepare this statement for you?

Mr. SNYDER. No; but I was asking where we got these figures from. They came from various Government agencies; they are all standard, public figures.

Mr. HOFFMAN. Now, what was paid out by industry and by Government each year from 1932 to 1940? I assume you have the figures with you.

Mr. SNYDER. We can provide them.

Mr. HOFFMAN. Isn't it true that from 1932, or the first part of 1933, on, the Government spent millions, or perhaps billions, of dollars to take care of the unemployed by giving them jobs?

Mr. SNYDER. I think maybe that got under way by the last of 1933 or 1934.

Mr. HOFFMAN. Will you give us those figures by years, so that they may be put in the record here, if it is not too much work?

Mr. SNYDER. Yes.

Mr. HOFFMAN. Then you say, it took us 8 years, until 1938, to climb back above where we were in 1929 in terms of total output, but in 1937 we had an average of seven or eight million unemployed. The creation of jobs by Government didn't cure unemployment in that period, did it?

Mr. SNYDER. No, sir; it did not.

Mr. HOFFMAN. Have you any explanation of that?

Mr. SNYDER. I think possibly if we had some sort of an arrangement like this, machinery, whereby we could have been planning ahead and shaping up the country, the conditions under which we could produce, provide markets and so forth, to meet that, that we could have done it, but we were just planning day by day, and with no consideration by Congress in advance. That is exactly why I hope such legislation as proposed here would help us look on down the road and help us meet such conditions.

Mr. HOFFMAN. But we spent the money in those years.

Mr. SNYDER. Yes; that is true.

Mr. HOFFMAN. Do you mean we wasted it?

Mr. SNYDER. Well, I am not going to make any statement on that, Mr. Congressman.

Mr. HOFFMAN. At least, we didn't get production of articles that were useful articles. Would you go that far?

Mr. SNYDER. Well, I agree that we were trying to meet the situation in those days, and it was probably not as productive as it should have been.

Mr. HOFFMAN. But nevertheless money was paid out for unemployment, or for those who were unemployed, wasn't it?

Mr. SNYDER. That is correct.

Mr. HOFFMAN. What explanation have you for the fact that the payment of wages to the unemployed, the payment of wages by the Government to the unemployed, did not cure our trouble at that time?

Mr. SNYDER. Well, because that was purely a temporary measure. If we had been able to build ahead and start laying plans, construc-

tive plans, for things that we could do, it would have been more productive, and that, in itself, would have carried on to a better situation.

Mr. HOFFMAN. I agree with you, if it had been more productive there would have been more good things, clothing and so on, in the hands of the unemployed to use, but it wouldn't necessarily follow that there would have been more people employed. What I mean is this: if the Government gives a man a job, he has a job, regardless of whether he rakes leaves or lays brick in a public building, isn't that true?

Mr. SNYDER. Of course, that is correct.

Mr. HOFFMAN. Then how can the argument be made that giving a man a job on a Government project cures unemployment if it didn't cure it then? I will withdraw that question and ask you this: Did the giving of a Government job and the giving of the Government check cure the unemployment from 1933 to 1938?

Mr. SNYDER. Well, it relieved it tremendously, no question about that.

Mr. HOFFMAN. How is that?

Mr. SNYDER. It relieved it tremendously; there is no question about that.

Mr. HOFFMAN. Yes; but we still had an average of seven or eight million unemployed, according to your own statement.

Mr. SNYDER. That is right.

Mr. HOFFMAN. Then why didn't Government employment, jobs furnished by the Federal Government and paid for by Federal checks cure that situation then?

Mr. SNYDER. I think we are getting a little bit away from the purpose of this bill.

Mr. HOFFMAN. No.

Mr. SNYDER. I don't for 1 minute advocate the Government is going to guarantee everybody a job, and give them a job.

Mr. HOFFMAN. This bill, as I understand you, doesn't provide for the creation of any jobs. Am I right so far?

Mr. SNYDER. That is correct.

Mr. HOFFMAN. But it does establish, if it is enacted into law, a plan to meet mass unemployment hereafter by the creation of Federal jobs if industry fails to provide them, does it not?

Mr. SNYDER. That is right.

Mr. HOFFMAN. That is right. Now, back in the thirties the Government did create Federal jobs, and we ignore whether they were useful or not, and it did pay for the jobs with Federal checks, and yet we had seven or eight million unemployed, and according to the AFL figures, right before the war we had 10,000,000 unemployed. How do you explain the failure of Government employment, paid for by Government money, to cure the unemployment situation at that time?

Mr. SNYDER. I wouldn't attempt to explain it.

Mr. HOFFMAN. How is that?

Mr. SNYDER. I wouldn't attempt to explain it.

Mr. HOFFMAN. Well, does the fact that we failed at that time, the only difference being that we failed to plan ahead for it, shake your confidence in the cure in this bill?

Mr. SNYDER. One failure doesn't necessarily indicate that all such efforts would be a failure.

Mr. HOFFMAN. That is right, but from one failure we ought to be able to find a remedy.

Mr. SNYDER. Exactly; that is why we propose this machinery here to start thinking ahead on the thing, and try, if that condition occurs again, to put that to better use.

Mr. HOFFMAN. I agree with you we could put it to better use, and produce only useful usable things.

Mr. SNYDER. Yes.

Mr. HOFFMAN. But that doesn't go to the question of whether or not there will be more unemployed, or whether unemployment would be lessened.

Mr. SNYDER. The main question is we want to prevent as much unemployment as we possibly can.

Mr. HOFFMAN. Yes.

Mr. SNYDER. Whether we can cure the whole thing, I don't know. But that doesn't prevent us from trying the best we can to reduce that unemployment to as low a figure as possible.

Mr. HOFFMAN. I will agree with you that if we plan ahead we will have less waste.

Mr. SNYDER. That, in itself, would be effective.

Mr. HOFFMAN. That is a good thing, but nevertheless, the fact remains that we failed by creating Federal jobs and paying for them with tax money, to end the unemployment problem, doesn't it?

Mr. SNYDER. That is true, yes.

Mr. HOFFMAN. Then the only point that I see you make here is that we will get more for our money, and that this bill will not end the unemployment situation which has faced us from time to time, heretofore, and which you anticipate will recur.

Mr. SNYDER. I don't think we can ever completely put everybody to work. There is a certain number of unemployed that will always be, and we never can put everybody to work. It just doesn't work that way. A lot of people just won't stay at work all the time. So we are always going to have a certain shift of jobs and a group that want to take a little lay-off, and we are going to have some unemployment at all times. It may be true that we may have these threatened depressions and have a large number of unemployed, but by the mechanism set up by such legislation as this, we certainly would be in better shape to do a better job of taking care of as many people as possible, more efficiently.

Mr. HOFFMAN. Assuming that the results of this, if put into operation, will give to the people more for their money, I mean of better things, usable things. Have you any reason to believe that, in view of our failure in 1937, we could end that mass unemployment, or avoid it?

Mr. SNYDER. I certainly believe that if you are developing concentrated effort toward a certain goal you are going to come out with some real benefits from that effort.

Mr. HOFFMAN. Referring to the wartime full employment. That was all practically, was it not, on borrowed money?

Mr. SNYDER. That is correct.

Mr. HOFFMAN. And I understood you to say, in answer to the chairman, that you didn't advocate Federal spending to create jobs, if it must be financed with borrowed funds.

Mr. SNYDER. I certainly don't believe in a long period of deficit spending, if that is the question.

Mr. HOFFMAN. I think I understand you. If a man is sick and he needs a doctor and doesn't have the money, he borrows it, because that is an emergency. But you don't believe, generally, in deficit spending for the purpose of creating Federal jobs?

Mr. SNYDER. Not prolonged deficit spending; no.

Mr. HOFFMAN. In fact, the employment during the war resulted only in the production of things which were thrown away or wasted, in an industrial sense. Isn't that the fact?

Mr. SNYDER. Largely; yes, sir.

Mr. HOFFMAN. Will you agree with the statement that President Roosevelt was as fully advised along in the thirties of the unemployment situation and what was being done to remedy it as was anybody else?

Mr. SNYDER. I am not in position to answer that.

Mr. HOFFMAN. How is that?

Mr. SNYDER. I assume he had as much information as possible, but as to just what his information was, I was not in the Government then, and wouldn't know.

The CHAIRMAN. Mr. Snyder has been called to the White House, and has to leave right now.

Mr. SNYDER. To wind up, if you have one more question, I will try to answer that one.

Mr. HOFFMAN. I would much rather you go down to the White House and find some way whereby the industrialists and the men representing the labor unions can get together.

Mr. SNYDER. That is what we are working on, sir.

The CHAIRMAN. The committee will stand adjourned until tomorrow morning at 10 o'clock.

(Whereupon, at 11:45 a. m., the committee adjourned until 10 a. m. tomorrow, Tuesday, October 30, 1945.)

FULL EMPLOYMENT ACT OF 1945

TUESDAY, OCTOBER 30, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES IN EXECUTIVE DEPARTMENTS,
Washington, D. C.

The committee met at 10 a. m., Hon. Carter Manasco (chairman) presiding.

The CHAIRMAN. The committee will come to order. We have this morning the Honorable Henry A. Wallace, Secretary of Commerce. You may proceed, Mr. Wallace.

STATEMENT OF HON. HENRY A. WALLACE, SECRETARY OF COMMERCE

Mr. WALLACE. Mr. Chairman and members of the Expenditures Committee, I am glad to be here and to have the opportunity of discussing with you this problem of full employment.

In the newspapers and magazines, and on the air, and in the proceedings here in Congress, I have noticed an almost universal agreement that full employment is the No. 1 postwar objective for this country. I have seen this conviction growing for 2 or 3 years now, but even so, I am a little surprised at how nearly unanimous we are now. There are some differences of opinion, really rather slight, in respect to definitions and statistics. There is considerably more disagreement about ways and means. But hardly anybody is willing today to take a position that full employment opportunity is undesirable or even that it is not substantially attainable in a free economy.

Most of us feel very definitely that it will be sheer folly to risk another major depression if we can find any possible way of avoiding it. Some people have forgotten how close we came to real disaster in the early 1930's, but most of us remember quite clearly and realize that mass unemployment simply will not be tolerated again. This free and self-reliant people simply will not stand for another great depression—not after seeing with their own eyes the production and employment they can achieve if they get together and decide what they want to do.

In addition to this general realization that unemployment on any considerable scale would be a deadly threat to our institutions and especially to our free enterprise system, I think there is also a healthy and correct appreciation of the fact that world peace depends in large part on our success in maintaining full employment here.

So there we are, and the problem is how to go about the job of maintaining the condition of full employment opportunity. I have

approached this legislation, H. R. 2202, in this spirit. As you know, I have been thinking about the problem for a good many years and especially since about 1938. Then last winter this bill came along and it matched my ideas of how to attack the job very well. I therefore wholeheartedly endorsed it.

The end of the war came sooner than most of us expected. It brought the need for immediate consideration and adoption of a program for governmental and private action to get us out of the war economy—a program to get us through the difficult transition period and into peacetime condition where a man who is able and willing to work will have a real opportunity to earn a living.

I feel strongly that this bill is the necessary first step and that it is needed as the first step toward working out the kind of a long-range program we want, and is also urgently needed for a successful transition.

I hope it will be passed as promptly as orderly procedure will permit, especially since some of the factors that are operating toward recovery are strictly temporary and it will take some time to get our longer-range machinery functioning.

As I look around and read the papers and the reports and contemplate the management-labor conference that is coming up in the next week, I am more and more impressed with the urgency of the situation. The difficulties that are so prominent in the headlines have their roots, I believe, in fear of the future—in lack of confidence in our ability to create and maintain a condition where workers and employers alike will have enough opportunities to earn their living whether in the form of wages or in profits.

I hope I can share with you some of this feeling of urgency. The Director of Mobilization and Reconversion has estimated that unemployment may reach 8,000,000 in the first quarter of 1946, even allowing for several million withdrawals from the labor force. It will reach some such numbers because our economic machinery simply can't operate quite fast enough to build up peacetime employment as rapidly as demobilization of war industry and of the armed forces will proceed.

There will be a turning point, perhaps in March or April, from which we can move in one of two directions. We can recover, perhaps rather rapidly, if we have industrial and economic peace and confidence in the future. The recovery might even be too fast or too hectic; prices might get out of hand before production comes up to meet the demand and then we would have an inflationary boom that surely would end in another collapse. So I think we must have a unified, coordinated economic program to keep us on the highway even if we do get into a boom late next year.

On the other hand, it is by no means certain that we shall snap out of this critical period. It depends upon a whole set of economic and social factors, including among other things industrial peace, social tolerance, and general confidence. Confidence is essential to the other conditions. I am not now talking about vague, unreal, or visionary things at all; I am talking straight bankers' language, based on economic realities, when I use the term "confidence."

If, when the turning point comes, a wave of fear should sweep the country, then it is quite possible that conditions would not improve

but would get worse and we would sink into stagnation and depression.

It is by no means certain that the accumulated backlog of demand and the presence of accumulated purchasing power will actually pull us out of the critical period if there should be widespread lack of confidence in the ability of management and labor to get together and in the ability of the Government to do its part. Here again confidence in the future is the key.

Now this turning point is coming along very soon and I urge as strongly as I can that we take appropriate action in time. By appropriate action I mean such legislation and administrative measures as will demonstrate that we take our responsibilities seriously, that we are working as hard as we can on the job, and that we intend to succeed. For such action, H. R. 2202 is the necessary first step. I want to explain why I think this in more detail.

There are three elements in the problem as I see it. First we must have confidence in the future and that confidence must be justified—not mere unthinking optimism.

Second, in order to create such confidence we must have better coordination in Government—better administration and better legislation in matters that affect the economic activity of the country. This economy is now so large and so complex, it is so closely tied to the economic and political development of the rest of the world, and the Federal Government necessarily will occupy and affect such a large part of our total economy—that we simply cannot afford to muddle along and take a chance on another collapse.

We must modernize our administrative and legislative procedures. We must coordinate our handling of expenditures for public investment and for public services, our regulatory activities, and our necessary revenue-raising measures. We must coordinate our fiscal activities, the control of credit, and the handling of the tremendous debt structure. We simply cannot any longer work at cross purposes in these various fields—all of them fields where the Federal Government of necessity will have a major impact for good or ill on the workings of our private economy.

So I note that a general understanding that we are going to coordinate our governmental job better than we have done in the past is a positive requirement for general confidence in where the country is going.

In the third place, confidence will not be justified and coordination will not be effective unless we move promptly to the development of a program for legislative and administrative action. Everybody has ideas about what the Government should or should not do. It is amazing how some people say in one breath, "Keep the Government out of business—let business alone," and in the next breath propose a series of actions that they want the Government to take. But it will be necessary for us to take various forms of action and my point is that we have no assurance of success except by bringing together the various measures that affect the economy in the various ways I have suggested, unless we construct a reasonably unified and coordinated and complete program.

So there we have three elements or stages in our attack on the central problem—confidence, coordination, and a program. If this bill had

not been proposed and if we were sitting here analyzing the situation, we might well write up such a set of specifications.

As I examine H. R. 2202, it fits these specifications very well.

First, it states the central objective—full-employment opportunity in a free competitive economy—in terms that are generally understood and widely agreed upon. This objective is unquestionably first in the hearts of almost all our people—all, I think, except a few who have special axes to grind. The mere recognition of this great national objective in plain and simple terms is a step in the right direction toward the necessary confidence.

Next the bill recognizes clearly and simply the responsibility of the Federal Government toward this objective. There can be no possible question but that the people of the United States will hold their Federal Government responsible for the attainment of their great central objective. They will hold their elected representatives and their duly designated administrative officials responsible and they will form their own judgment as to how well we have discharged our obligation. If we fail, or in the degree to which we fail, they will be the judge of how well we have provided the necessary leadership and how wisely we have directed the resources of the Federal Government toward our declared objective.

The actual language of the bill is properly clear and definite on this recognition and responsibility. It says in plain English that the responsibility is to assure the existence at all times of sufficient opportunities.

Finally, the bill sets up a procedure in the executive branch and in Congress that seems to me very well adapted to the formulation and constant improvement of a program for economic action to move toward and maintain the objectives of full-employment opportunity in a free competitive economy. The procedure set forth is very simple and very businesslike. It is closely parallel to the well-established procedures that have been found necessary in the successful conduct of a private corporation with its president and its board of directors. The bill calls upon the President to submit annually a statement of the situation and of where the country seems to be headed as respects employment and production; and a program for administrative action that he proposes to take in the circumstances thus described; and a program of recommended legislative action.

The making of such an annual statement and preparation of such a program and its revision as situations develop and conditions change would be a powerful influence toward better administration in the executive branch. It would compel the various agencies to consider their own requirements and intentions in the light of the total. It would compel an accounting at periodic intervals of the success of their work. It would be a powerful device in the direction of efficiency as well as effectiveness throughout the whole Federal executive establishment.

The bill finally sets up improved machinery in Congress for the same purposes of coordination and unification of effort. This is a natural development in our legislative history and there can be no question but what it is badly needed to cope with the tremendous problems that will confront the Senate and the House in the future and that I think will be simply unmanageable under current pro-

cedures. The machinery set up in the bill is very simple—the joint committee of the Senate and the House large enough to include the heads of the major committees concerned but not large enough to be unwieldy. This committee is directed to receive the President's national budget message and program and to consider it, calling witnesses or utilizing its own staff as may be found necessary or convenient; and then to report a joint resolution to the Senate and the House for public debate, revision, and adoption as the agreed-upon statement of the situation and of governmental needs and intentions.

I can think of nothing more healthy and more conducive to a rational and prudent approach to these complex problems of the future by the Members of the Senate and the House and by the various committees. It is not another complication—it is simplification. It would strengthen the hand of every standing committee. It is not too much to say that such a procedure would enable these committees to do their jobs in the face of legislative requirements of the future.

So it seems to me that the H. R. 2202 matches the specifications for the kind of basic legislation we need as the first step toward a program for full employment opportunity in a free competitive economy. It sets up the objective; it states the responsibility of the Federal Government; and it establishes a procedure that is well adapted for the purpose.

It is the minimum that we must have to start with in order to provide the confidence which is the essential basis of a healthy private enterprise and to make possible the coordination of effort toward the unified objective and to equip us with the procedure under which the administration and the Congress can develop step by step an economic program for unified action toward the agreed-upon objective.

Whatever the Congress finds it wise to adopt in the way of basic legislation for this purpose, I will do my best to help make that legislation work. But I hope you will give us in the administration a clear and definite authorization to do our job, such as H. R. 2202.

I don't know what modifications or amendments you are considering, if any, but I definitely hope you do not weaken the bill. Let me emphasize again the underlying importance of confidence throughout the business world, both to employers and to labor. It is confidence alone that will give us the healthy flow of purchasing power which is the lifeblood of the private-enterprise system. It is confidence alone that will activate the accumulated savings and get them used to satisfy accumulated needs and wants.

The way to build this general confidence is to state in clear and simple legislation written in plain English that we are going to do the job—that we do recognize the responsibility and that our responsibility is to assure opportunities for our workers and our businessmen and our farmers and our professional people to earn a decent living. Any weakening of this commitment would tend to defeat the purpose.

Let us tell the people that we really mean it. Let us also tell them that we recognize the difficulty of the task—that we recognize that in order to discharge this responsibility we must set up new and improved procedures in the executive branch and in the Legislature and that we must go on from there to work out a practical program of unified action.

Let me describe a little more specifically what sort of a program of positive action we can work out under H. R. 2202.

I want to say to begin with that I firmly believe a program can be worked out that will provide sufficient employment opportunity in a free competitive economy, without departing from our traditional concepts of individual liberties, including private enterprise; and this can definitely be done without imposing tax burdens or other fiscal practices that would defeat the purpose. Specifically, I believe it can be done without jeopardizing the integrity of our fiscal system.

It can be done without continuing deficits in the Federal Treasury if we want to do it that way. The money we need to balance expenditures can be obtained by taxation rather than by borrowing if that is the policy that seems wise to Congress in the future. Such tax revenues of course would have to be obtained from sources where it would not reduce private expenditures so much as to be self-defeating. If we take a dollar of taxes out of the active flow of purchasing demand we reduce somebody's expenditure and somebody's sale at the cash register by the same dollar. So if we decide to raise enough revenue to balance the Government's expenses, it is perfectly clear that we will have to hunt around and find sources of revenue that will not cripple or strangle the active flow of purchasing demand at the cash register.

The bill you are considering does not specify any single policy in this respect, and I think this is wise. We have yet to solve the problem of finding and taxing idle dollars without reducing unduly the profit incentive. We do know that when a dollar is saved it is withdrawn from the flow of active purchasing power and nobody can make any money out of it until it is spent or invested or until somebody else spends or invests a dollar that had previously been saved. We do not know exactly how much private enterprise will want to borrow and invest nor exactly how much it should and can borrow and invest year by year without getting ahead of its market. We do not know whether the amount that business will want to borrow and invest will be equal to the amount that individuals want to save and lend.

If private business doesn't care to invest year by year as much as individuals want to save, then it is simple arithmetic to figure out that somebody else will have to provide the outlet for the people's savings. Otherwise, the total flow of active purchasing power at the cash register will not stay up where it ought to be and full employment and full production will not be maintained.

If this should turn out to be the case—if business doesn't provide the opportunities for useful investment of the people's savings—then I expect the people will see no reason why they should not provide their own outlet. I expect they will provide such outlet for themselves through their Government by investing the money in useful public projects.

This would add up to what we are accustomed to term a deficit in the Government Budget although in private business strictly comparable operations are not termed deficits when they are balanced by additions to the capital account. A manufacturer does not write off a new factory during the year in which it is built. There is no more reason why the Government should write off a dam or a highway in a single year.

In all these matters it is perfectly clear that the future holds many uncertainties and therefore I think the Government's budgetary policy should be left for future Congresses to determine under the conditions they face in the future. We have just come out of a long period of fiscal disturbance and perhaps we still face several years of extraordinary fiscal requirements. The bill specifies that taxation and revenue raising shall be considered as a part of the program as, of course, they should be. That is as far as I think we should go at this time.

President Truman on September 6 submitted an extensive list of items on which he felt that governmental action is needed in order to steer a steady course through the reconversion period and into a satisfactory postwar economy. He said, "The major objective, of course, is to reestablish an expanded peacetime industry, trade, and agriculture, and to do it as quickly as possible." Then he listed the major fields of action for the consideration of Congress in line with his constitutional duty—and as you know legislation for full employment was among the items.

As I look down the President's list of far-reaching, needed measures, many of which are not yet even in draft form as far as I know, and as I contemplate these extensive areas of needed action, many of which are not covered at all or are very inadequately covered—I am impressed again and again with the sheer impossibility of handling these complex problems unless we first equip ourselves with the machinery set up in H. R. 2202. In addition, at the risk of unnecessary repetition I say again that the whole success of this or any other program for the critical time that lies immediately ahead as well as for the long range—I say that the whole success of such a program depends on creating and justifying a feeling of confidence throughout the land.

The President's list in his message of September 6 contained 21 main headings and I hope you have noted how each item relates to and affects the others and how therefore we should consider them each in relation to the whole of our activity—and therefore how urgently we need the bill which you have before you.

Now, what is the difference between such a listing of items and a program for action under the full employment bill?

The difference is that in constructing the program, specific measures for action on each item would be proposed or described and their effects would be estimated and their relations to other parts of the program would be set forth. Then the joint committee would consider the report and the recommended measures and the estimates. They would change such parts as they found needed change and then report the joint resolution for debate on the floor of each House. The joint resolution would be debated, fully and freely and publicly, and adopted by a record vote. Finally, the specific measures contained in the final program would be drafted and considered by the various standing committees.

In this manner we would work out a program, the parts of which would fit together. As conditions changed and the success of each measure was proved out or disproved in practice, revisions would be made from time to time to improve the result.

It is very closely parallel to the well-established techniques of management in business. A scientific management approach to a business problem usually contains three steps: (1) Setting the objec-

tives, (2) allocating the responsibility, and (3) setting up procedures to discharge the responsibility. The procedures begin by setting tasks and quotas; then a coordinate set of processes or machines or operations would be designed and placed in action. Finally—just as a corporation publishes a quarterly report on its operations—there would be a periodic check of the results whereby the performance could be measured and the efficiency of the whole program could be gauged. This is what, as I read it, is done by H. R. 2202.

Summarizing briefly, I am in favor of H. R. 2202 because I believe it is an essential step in creating and justifying the confidence that is essential to the successful operation of our private-enterprise system.

I favor the bill because it would set up a procedure for better coordination in the executive branch and in the Congress and I feel that such better coordination is absolutely necessary in dealing with the huge and complex problems of the postwar world.

I favor the bill because it is the only practical way I see whereby we can construct and operate a unified program of governmental action on the scale that clearly will be necessary in the future.

For these very reasons, I would be strongly against any attempts at weakening or watering down this legislation. Such weakening would strike at the very foundation of our work—it would tend to weaken the confidence which is its essential objective. I think we must say clearly and plainly and flatly that we are going to do this job.

Likewise, I would view with strong disfavor attempts to limit or restrict the action programs and measures which future Congresses may find desirable under the circumstances that then exist. I think we should leave the future Congress entirely unfettered to use whatever means they find necessary or desirable under the Constitution.

I would also view as very weakening or restricting any attempt to divide the joint committee, or to limit its scope of consideration, or to relieve it of the necessary duty of reporting its findings back in the form of a joint resolution for open debate in each House and before the people of the country.

Finally, I have said and would emphasize again that a positive program of action is necessary, and that it can be constructed without doing violence to our traditions and our institutions, and without running the financial soundness of the country—provided that we agree on the objective of the program, and that we face the responsibility squarely, and that we adopt procedures that will make it possible for us to discharge that responsibility.

All these things add up to my strong support of H. R. 2202. I believe firmly that we can accomplish this task—I say that we must accomplish this task—and I urge that our time is limited and that the need is great.

Give us a good strong legislative authorization and let us get to work.

The CHAIRMAN. Mr. Secretary, you, of course, realize this is not the first attempt on the part of a so-called democracy to assure or guarantee work for everyone.

Mr. WALLACE. I am sure that democracies have been concerned with the problem of full employment throughout all time.

The CHAIRMAN. Have you had occasion to read the history of the Second French Republic, and their guaranty of full employment?

Mr. WALLACE. I am not an expert in that field.

The CHAIRMAN. I think it would be very interesting to all of us to read that history. It will be found in the Historian's History of the World, chapter 13, at pages 90 to 94, and also at pages 206 and 208; and we can find some more on the subject in Cambridge's Modern History, page 104.

The French undertook, at that time, to give everybody a job. They soon had to repeal that program, because so many people were leaving private jobs to go to work for the Government. A lot of people like to work for the Government; they don't have to work so hard as they do for themselves or for private enterprise.

Mr. WALLACE. That is not my observation, sir.

The CHAIRMAN. I know some people work a little harder for the Government, but the majority do not. We have seen that in the so-called lower echelons, in our WPA and PWA programs.

You stated on page 2 of your statement that you felt strongly that this bill is a necessary first step. What I am disturbed about are the steps that follow this bill.

Mr. WALLACE. This bill does not, of course, in and of itself provide for any appropriation. It doesn't provide for any specific action with reference to taxation, with reference to fiscal policy, with reference to encouraging the flow of private capital, with reference to providing public works in case they may be necessary. The bill is not, in and of itself, an action bill. That action would be, of necessity, left to the Congress to carry out in conformity with the suggestions—or non-conformity with the suggestions that may be made by the President.

The CHAIRMAN. Do you interpret this bill as committing the Congress to assure a job to all those who are unemployed, who are employable and seeking employment?

Mr. WALLACE. So far as the particular individual is concerned; no. I stated the purpose of the bill is to provide a climate, if you will, which will give assurance that there are sufficient jobs there. Undoubtedly, there may be a million and a half, or two million, or two million and a half people that are in process of going from one job to another.

The CHAIRMAN. That is what you call a climate?

Mr. WALLACE. The purpose of the bill is to do everything possible to provide such a flow of funds, private preferably, as to assure jobs or job opportunities for all, but not to guarantee a job to any particular individual.

The CHAIRMAN. But you would guarantee jobs to the majority of the unemployed?

Mr. WALLACE. I will just stay by my former statement; the language of the bill, as I understand it, is to assure job opportunities.

The CHAIRMAN. And if private enterprise cannot furnish these job opportunities, you would commit the Federal Government to provide those jobs?

Mr. WALLACE. Yes, sir; that is right.

The CHAIRMAN. Under the provisions of this bill——

Mr. WALLACE. I have great faith in private enterprise, once fear is removed. During the decade of the thirties there was continual fear hanging over the business world which caused private funds to be continually withheld.

The CHAIRMAN. You mean during the thirties?

Mr. WALLACE. During the thirties; yes.

The CHAIRMAN. Is there anything in this bill to remove fear that is hanging over business?

Mr. WALLACE. I think if we have a similar fear in the future that it would tend to restrict the flow of private capital and make more necessary the flow of Government capital.

The CHAIRMAN. If a man knew he was going to get a job on public works, a public-works project, do you think, if that was the situation generally—men knew they could get jobs on public-works projects—that private capital would attempt to organize new businesses? They would have a very difficult time securing labor to run their plants if the Federal Government assured everybody a job.

Mr. WALLACE. I would hope to see as much of the job as possible done by private capital.

The CHAIRMAN. Assuming that 8,000,000 people will be out of work next year and they cannot get jobs in private enterprise. Would you be for giving all those people jobs on Federal projects?

Mr. WALLACE. I feel the situation that will exist next spring is a very special situation and will require special measures, because there is just no possible way of getting the transition to peacetime activity all at once.

The CHAIRMAN. Let us leave 1946 out and go to 1947. Is there any way now for the experts in our statistical bureaus to forecast how many people will be out of work in 1947?

Mr. WALLACE. By the middle of 1946 there are very definite techniques that can be used that will give a reasonably accurate figure. It will give a reasonably accurate approach to the problem.

The CHAIRMAN. Let us assume that in 1947, 4,000,000 people will be out of work and cannot be given jobs in private employment or self-employment. Would you favor the Federal Government giving all those people jobs on public works?

Mr. WALLACE. I wouldn't say all those people, sir.

The CHAIRMAN. All the employables who wanted work.

Mr. WALLACE. All those who are not, as they say, frictionally unemployed, should have job opportunities. I think that is to the definite benefit of business, to the definite benefit of labor, to the definite benefit of agriculture, to the definite benefit of the Federal Treasury. I feel that there is nothing that so contributes to the unbalancing of the National Budget as people out of work.

The CHAIRMAN. Of course, under the provisions of this bill those jobs would be provided on public-works projects performed by private contractors, and under existing law every person working on these public-works jobs must be paid the prevailing wage. Do you think our Federal Treasury could afford to assure 4,000,000 jobs at the prevailing wage?

Mr. WALLACE. I was not granting the 4,000,000.

The CHAIRMAN. I am just using that figure, because one guess is as good as another.

Mr. WALLACE. I was not suggesting taking up the frictional unemployment.

The CHAIRMAN. I am talking about actual unemployment. I am not talking about the bean pickers, or cotton pickers, but the actual unemployed.

Mr. WALLACE. I would say this, that the Government could not afford to have an excess of unemployment. I would put it the other way around, exactly the opposite to the way you put it. I would say the Government cannot afford not to have them at work. You say can the Government afford to put them to work.

The CHAIRMAN. Of course, that is what I am trying to find out. How would you put them to work.

Mr. WALLACE. Again I return to this; that the important thing is to get private capital flowing. I have emphasized that at all times. As a matter of fact, I have emphasized that continuously ever since the depression in 1931. That is the primary object, to get the private capital flowing.

The CHAIRMAN. I notice you refer to idle dollars. Do you mean money stored away in vaults, or deposited in the banks?

Mr. WALLACE. I mean the money not working. Money deposited in the bank is usually, in normal times, loaned out and put to work.

The CHAIRMAN. Most of our idle funds are invested in Federal bonds, and that capital is working now, is not that true?

Mr. WALLACE. It has been working very hard, winning this war.

The CHAIRMAN. That is what I say. That is what I think, and some day, if the depositors start withdrawing those deposits, somebody is going to have to make up that money belonging to the people, represented by those bonds.

Mr. WALLACE. In that case, one hand washes the other, although at a given time there may be very grave embarrassment.

The CHAIRMAN. I think it is going to be very embarrassing if they ever start that run. You state in your statement, on page 4, that we must coordinate our fiscal activities, the control of credit and the handling of the tremendous debt structure. Wouldn't it be reassuring to every investor in this country today if he knew that a sound debt-service program would be inaugurated by the Government? Would it not tend to assure full employment?

Mr. WALLACE. I think that would tend in that general direction, although in any particular year it is not the sole criterion.

The CHAIRMAN. If we would tell that investor today that we were going to spend anywhere from ten to twenty billion dollars a year to guarantee employment to everyone, aren't we scaring him off?

Mr. WALLACE. I think the thing that would be most scaring to private investors would be the fear that there would be unemployment on a large scale.

The CHAIRMAN. Of course, if you have got to continue to finance your employment by borrowing money, it is not productive employment.

Mr. WALLACE. Throughout the twenties, when we had substantially full employment, we financed that full employment by borrowing money. It was money borrowed on private account. We borrowed an average of \$5,000,000,000 a year; that is, there were new debts created on private account to the extent of \$5,000,000,000 a year.

The CHAIRMAN. We have figures to the effect that it would require about \$25,000,000,000 a year from now on to carry out the normal commitments of the Government. I am just wondering if we could add to those normal commitments and expect the Federal revenue to produce enough to guarantee jobs to everyone.

Mr. WALLACE. That just depends on whether we have full employment. If we have full employment we can produce a gross national product in this country of about \$200,000,000,000, and if we have a gross national product of \$200,000,000,000 there need be no fear whatever of handling a Federal tax bill of \$25,000,000,000. It could be handled in stride very nicely. The danger is in having a small national product.

The CHAIRMAN. Is it the theory of the proponents of this bill that we are to create purchasing power, or to assure a continuing flow of money for purchasing power?

Mr. WALLACE. I stated the purpose of the bill is to bring about full production and full employment.

The CHAIRMAN. Of course, if the Federal Government is going to have to give jobs to 4, 6, 8, or 10 million people a year, then we might just as well print the money and hand it to them. It would be the same purchasing power.

Mr. WALLACE. That would not give you full production, which is a very important part of it.

The CHAIRMAN. Of course, unless they go into the manufacture of goods for consumers, there still would not be full production.

Mr. WALLACE. It is important that there be the maximum volume of goods produced for consumers. That is one of the objectives of the bill. As a matter of fact—

The CHAIRMAN. You wouldn't advocate our taking over the packing plants, the automobile factories, and other private industries that manufacture consumer goods in order to give employment to these 4, 6, or 8 million people, would you?

Mr. WALLACE. No.

The CHAIRMAN. It would all be done on Federal public works, not in competition with private enterprise?

Mr. WALLACE. The object is to get private activity operating at top speed.

The CHAIRMAN. I understand the objective—

Mr. WALLACE. And to attain that objective there must be assurance that there is not going to be serious unemployment. That is where the Federal Government would step in, if necessary. The important thing is to get confidence on the part of private enterprise so that money in private hands will function effectively. I have a great deal more confidence in the private-enterprise system than your question would indicate you have.

The CHAIRMAN. I believe you have confidence in the private-enterprise system. I do, too. You made the statement, at the bottom of page 6: "It would compel an accounting at periodic intervals of the success of their work. It would be a powerful device in the direction of efficiency as well as effectiveness throughout the whole Federal executive establishment."

That is referring to these powerful influences of Federal participation in the executive branch. Now, under our Constitution, under present law, doesn't the President have authority to do everything that can be done under this bill, except create the Joint Committee of the House and Senate?

Mr. WALLACE. You may be able to correct me on this: I have a dim recollection that when Congress did away with the National Resources

Planning Board there was an injunction against the executive branch engaging in that kind of work in the future, and this would be that type of work.

The CHAIRMAN. I don't think that would prevent him submitting any kind of a budget.

Mr. WALLACE. As a matter of fact, last January President Roosevelt did submit a national budget.

The CHAIRMAN. That is right.

Mr. WALLACE. But I don't think that he could go into the details of submitting a coordinated program, without running counter to that negative of the Congress.

The CHAIRMAN. You have no fear, if this bill were passed, that the Congress would be blamed if it refused to follow the suggestions that the President made in the National Budget?

Mr. WALLACE. I feel that both the executive and the legislative branches of the Government would be on the spot before the voters of the country, and I think all of us should be on the spot before the voters of this country, to produce the maximum results; and if we failed, and we could not defend ourselves for what we have done, I think all of us ought to be replaced.

The CHAIRMAN. Mr. Secretary, we have now over 75 different statistical agencies in the Federal Government. Don't you think that one sound move could be made now, and it could be made under the reorganization bill without any additional legislation, would be to consolidate all of the statistical agencies in the Department of Commerce, in the Department of Labor, in Agriculture, into one place where the businessman, the retail man, the wholesale distributor, or congressional committees, the President, or any Government agency, could go and get statistical information that would be beneficial, and not have to try to find out from 75 different agencies what you want to know?

Mr. WALLACE. Congressman, I have served, as you know, in the Department of Agriculture, which is a great statistical agency, and in the Department of Commerce, which is a great statistical agency, and I have had some training in statistics myself before I came to the Government. I would say that the idea sounds superficially good, but in practice would not be good. For example, the crop-estimate work in the Department of Agriculture should not be done by the Department of Commerce. I think that properly is done in the Department of Agriculture by people who have an agricultural background, people who have agricultural contacts. I believe the business statistics obtained by the Department of Commerce should not be obtained by some other agency, because we have the business contacts.

The CHAIRMAN. Shouldn't we, though, have some central agency, some clearing house, where we can get that information?

Mr. WALLACE. We do have that now, as a matter of fact. The Bureau of the Budget does have a provision for doing that kind of thing, under Dr. Rice, who used to be Assistant Director of the Census.

The CHAIRMAN. Most of our statistics, though you will agree, Mr. Secretary, are old when they become available for public use.

Mr. WALLACE. I think our statistics should definitely be more current. That is a problem that came up last week. We took over certain segments of the FEA, which had been able to get certain very

current information from the War Production Board. The War Production Board is on the point of discontinuing that current information, which is essential in discovering how much of our goods ought to flow abroad with safety to our domestic economy, and we found we had in the Department of Commerce nothing which was quite so current as that previously furnished by the War Production Board. I feel very definitely that our information is not as up to date as it should be. One of my gravest concerns, as Secretary of Commerce, is that we get more current information than we now have.

The CHAIRMAN. If that information were more current and made available to our people, to all our people, it would contribute to full employment?

Mr. WALLACE. Definitely.

The CHAIRMAN. On page 3 of H. R. 2202, line 8, paragraph (e), it reads:

To the extent that continuing full employment cannot otherwise be achieved it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment.

Would you object to striking that section from the bill?

Mr. WALLACE. Yes; I would object to striking that section from the bill. I feel it would undermine the confidence of the businessman that we are going to have full employment. You might say it is the final dam to prevent the downward spiral—if anything can prevent a spiral.

The CHAIRMAN. Mr. Hoffman.

Mr. HOFFMAN. Mr. Secretary, you are urging us as earnestly as you know how, to report this bill out on the floor, and that Congress, as quickly as it may be done, enact it into law, are you not?

Mr. WALLACE. That is correct.

Mr. HOFFMAN. You have given this bill considerable study?

Mr. WALLACE. Yes; I have given it considerable study.

Mr. HOFFMAN. I have no doubt that every member of this committee wants to see everyone who desires a job have a job at a satisfactory wage. Some of us, however, don't know just how that may be brought about and I was wondering if you were willing to spend enough time with us to perhaps enlighten us along the ways in which we can bring it about.

Mr. WALLACE. I would be very glad to be with this committee as long as the members desire.

Mr. HOFFMAN. Am I right in assuming that you look back upon the period of the early thirties as one of a great depression?

Mr. WALLACE. That is correct.

Mr. HOFFMAN. In which we came almost to disaster?

Mr. WALLACE. Yes; I look upon it as probably the worst period in our national history; in our peacetime history, I should say.

Mr. HOFFMAN. And that to have a similar situation in the future would be disastrous?

Mr. WALLACE. That is correct.

Mr. HOFFMAN. And to avoid a similar situation in the future, you advocate the passage of this bill?

Mr. WALLACE. That is right.

Mr. HOFFMAN. And the foundation of that is that everyone who is

capable of working and who wants to work—and I am speaking now, by and large—should have the opportunity to work at regular full-time employment, at remunerative wages.

Mr. WALLACE. That is correct.

Mr. HOFFMAN. And that when private industry cannot bring about that situation, the Federal Government, through the use of tax money, should provide whatever additional number of jobs is necessary to take up that slack in employment?

Mr. WALLACE. Except insofar as the fractionally unemployed are concerned.

Mr. HOFFMAN. What do you mean by "frictionally unemployed"? Unemployment created by strikes among unions, and between unions and management?

Mr. WALLACE. No; that doesn't include those. The term "frictional unemployment" is one that is used, and has grown up in economic thinking to cover those who are in process of leaving one job and are waiting a while before they take on another job.

Mr. HOFFMAN. Is that what you mean by frictional unemployment?

Mr. WALLACE. It refers to those who are unemployed because of frictions or imperfections in the economic mechanism. The largest item in the frictionally unemployed is made up of those switching from one job to another. For instance, at the very height of the war-time endeavor, there were seven or eight hundred thousand unemployed. That is the lowest we have reached in modern times. Throughout the decade of the twenties, as I remember it, when we had substantially full employment except for 2 years, there were, roughly, 2,000,000 frictionally unemployed people who, for one reason or another, were just not working for the time being.

Mr. HOFFMAN. And in the term "frictional unemployment"—

Mr. WALLACE. Are the people who will be working later, but they are idle at the moment.

Mr. HOFFMAN. And in the term "frictional unemployment," will you include those who are out of jobs because of controversies between affiliates of the same union—

Mr. WALLACE. No; I wouldn't include them as frictionally unemployed.

Mr. HOFFMAN. Would you include those who are thrown out of employment because of strikes, for instance, against the supplier of an industry?

Mr. WALLACE. Beg pardon?

Mr. HOFFMAN. Would you include in that term those who are thrown out of employment because of a strike against the supplier of an industry?

Mr. WALLACE. No; I didn't count them as frictionally unemployed.

Mr. HOFFMAN. Well, they are not working, are they?

Mr. WALLACE. They are not working at their job, but the job is there ready for them.

Mr. HOFFMAN. But for one reason or another they either don't want to or can't take those jobs.

Mr. WALLACE. I just don't call strikers unemployed.

Mr. HOFFMAN. Do you call those unemployed who are working—let us cite an example—

Mr. WALLACE. That is from the Federal point of view. I recognize

there are certain States where State laws may provide for putting strikers on the unemployment rolls, but for the purpose of this bill I wouldn't call strikers unemployed.

Mr. HOFFMAN. For the purpose of this bill would you call those, for example, in the Ford Motor Co., some thirty or forty thousand, who are out of work because the Ford Co. cannot get parts from the struck Kelsey Hayes Wheel Corp.?

Mr. WALLACE. Well, that is a more difficult problem to answer offhand. I don't have an offhand answer to it.

Mr. HOFFMAN. You have been giving this question of employment and nonemployment and Government activity study over perhaps a period of 10 or 12 years, haven't you?

Mr. WALLACE. Yes, I have studied many particular phases of it, but it changes continually, as you know. It changed very radically since the war came. How to define the status of the employees of the Ford Motor Co. affected by the Kelsey Hayes Wheel Co. is a little difficult for me to answer offhand, as to whether they are "unemployed" or not. I would be inclined to say this: As to those who through no fault of their own are thrown out of work, my offhand answer would be yes, that they are unemployed.

Mr. HOFFMAN. You come in wholeheartedly and earnestly advocate that we adopt this particular bill, H. R. 2202, which under your testimony, if I have it correctly, states that the Government should establish a planning board or a planning agency, or that the Executive should do the planning and give us an estimate of the number of unemployed in the coming year, and then if private industry does not come up to scratch and provide the necessary number of jobs, that the taxpayers' money should be spent by the Federal Government to create new jobs to take up that slack. That is your position, isn't it?

Mr. WALLACE. Not exactly. You have stated it in your own way, sir.

Mr. HOFFMAN. You state it in your own way, in an equal number of words, if you will, please.

Mr. WALLACE. I don't know the exact number of words that you used.

Mr. HOFFMAN. Well, do it in double the number of words, if you please. I am not being facetious, nor am I trying to be funny. I recognize that we all have a responsibility in this thing, and I would like to know how to do it.

Mr. WALLACE. Well, this is the way I would state it, Mr. Congressman. Our Government, throughout its history, like all democratic governments, has had certain powers having to do with money, with interest rates, with taxation, with expenditures, with tariffs, with regulations that affect business, with subsidies that affect business, with a great many other activities. The purpose of this bill is to see that these governmental functions (which we have always had) should be directed consciously to the purpose of promoting the maximum production and the maximum of jobs, through private industry, if possible, through the encouragement of the maximum flow of private funds, through the maximum production of private jobs; and if that fails that this Government should step in to the extent that is necessary.

Mr. HOFFMAN. And if we are to do that we must, of necessity, know approximately the number who are to be unemployed, we must know the classes in which that unemployment may occur, must we not?

Mr. WALLACE. That does not necessarily follow.

Mr. HOFFMAN. You say it does not necessarily follow. How can anyone determine the number of unemployed if he doesn't know the groups to which he has to go to seek the number?

Mr. WALLACE. It is quite possible to say right now that the number of unemployed next spring will be somewhere between six to eight million—some agencies of the Government go as low as six, I believe; the Director of Reconversion says eight. Did they get that on the basis of going to each of these industries? To some extent, perhaps. But another way of getting it, which does not involve going to each industry and making a prognosis of just how active the automobile industry will be, just how active the packing-house industry will be, and so on, is to make an estimate of what the gross national product will be next year, and that can be done quite accurately, because we know the degree to which the Government has cut back on its commitments, we know the Government, and this covers all kinds of governments, including local governments, will spend \$48,000,000,000 less in 1946; there will be perhaps \$13,000,000,000 more spent—we have ways of getting at this from businessmen—by businessmen. We should subtract from the \$48,000,000,000 less Government expenditures, the \$13,000,000,000, and that will give us \$35,000,000,000 less spent. We know to what extent that affects business because of that relationship, and that will give you perhaps 6,000,000 unemployed—more nearly 7,000,000 unemployed. Of course, it should also be said that the Census Bureau goes right along on an industry basis to give a count of the unemployed, so you can do it on that basis as well and have a check. But there are the two ways of getting at the problem.

Mr. HOFFMAN. Have you finished?

Mr. WALLACE. Yes, sir.

Mr. HOFFMAN. Perhaps I didn't make myself understood. This is the question: In estimating the number for which this bill must provide jobs, of necessity we must know who is to be classed as unemployed. Now, my question is this: Is this bill, in your opinion, to cover a job for the man who is thrown out of his job because his company cannot operate because it cannot get supplies from some other company which is tied up by a strike?

Mr. WALLACE. I don't think that is the purpose of this bill at all.

Mr. HOFFMAN. That is to say, then, this bill would not cover the other 200,000 men thrown out of jobs because some other company cannot supply the materials to enable the company for which they work to operate, and where that stoppage is due to a strike, whether justifiable or not, then those who are thrown out of jobs there would not be counted in the number of unemployed?

Mr. WALLACE. I think that would come more nearly under the obligations of the various agencies under the Department of Labor.

Mr. HOFFMAN. So you would not, by this bill, provide jobs for all of those who, through no fault of their own, cannot work because of a strike in some supplying industry; is that right?

Mr. WALLACE. I would say that is not the primary objective of this bill, unless it continued for such a length of time as to put that secondary industry completely out of business. It would be assumed that an industrial strike would be settled within a reasonable length of time by one of the agencies of the Department of Labor, or by processes of collective bargaining. It is not the purpose of this bill

to go into that kind of a problem, and I don't propose to discuss that kind of a problem.

Mr. HOFFMAN. Well, of course, it is easy to bring in a bill and then just refuse to discuss some of the things that are basic in that bill.

Mr. WALLACE. I don't think that is basic in this bill.

Mr. HOFFMAN. Take the strike in New York where the elevator operators went out and stayed out for 2 or 3 weeks and which threw, according to the press, 2,000,000 out of jobs because they couldn't get into the buildings. Do you think that if that continued over any period of time that under this bill those who were out of work—

Mr. WALLACE. I don't think this bill is concerned with that sort of a situation at all.

Mr. HOFFMAN. But, nevertheless, those situations do crop up frequently and they mean unemployment; do they not?

Mr. WALLACE. As a matter of fact, if I remember the figures of the Bureau of Labor Statistics, it is a small fraction of 1 percent of the people of the country who have been thrown out of work as the result of strikes—a very small fraction of 1 percent.

Mr. HOFFMAN. But they don't give the number who were unemployed because of the strikes. I mean, all those figures give is the number of strikers and the employees in that particular factory. For instance, when there is a strike in the automobile industry those figures don't take into account how many people in my town, in the garages, and so on, are thrown out of work.

Mr. WALLACE. Well, double or treble the figures—it is still a small number.

Mr. HOFFMAN. If we are going to end unemployment or do what we can to end it, shouldn't there be some remedy provided by Congress by which either these strikes will not occur, or the life of them be shortened?

Mr. WALLACE. I will agree with you fully that the elimination of industrial strife is one of the most important subjects before the country. I will share with you fully your desire to see such strife eliminated. I am not sure that the congressional measures advocated will bring about that happy result. As you are aware, we are having next week a labor-management conference. I am sure we all hope for a constructive outcome from that conference. There will be equal representation there from labor and management.

Mr. HOFFMAN. All through your statement there runs the thought, if I am correct, that we will never get anywhere unless confidence is restored.

Mr. WALLACE. I place great emphasis on that.

Mr. HOFFMAN. And you said a while ago that we had a major depression, the worst in our history, in the thirties.

Mr. WALLACE. That is right.

Mr. HOFFMAN. Now, during the thirties Congress did provide practically all of the funds that were requested by the Executive to create jobs; did it not?

Mr. WALLACE. It provided substantial sums, but I would not—

Mr. HOFFMAN. You name a figure of \$5,000,000,000. Over what years was that \$5,000,000,000 spent?

Mr. WALLACE. You are referring to my statement? That referred to the decade of the twenties.

Mr. HOFFMAN. How is that?

Mr. WALLACE. That referred to the decade of the twenties, when there was an increase in private indebtedness of \$5,000,000,000 a year.

Mr. HOFFMAN. Well, what sums were appropriated by the Federal Government, approximately what sums?

Mr. WALLACE. I don't remember that. I do remember this; that the total indebtedness, both private and public in 1940 was less than in 1930. There wasn't an increase in total indebtedness in the thirties. In the twenties there had been an increase of about \$50,000,000,000, in total indebtedness.

Mr. HOFFMAN. Speaking generally, during the thirties, during that depression to which you referred, the Federal Government did appropriate billions of dollars in the creating—

Mr. WALLACE. But unfortunately—

Mr. HOFFMAN. Wait—for creating public jobs, did it not?

Mr. WALLACE. That is right, but unfortunately private funds did not flow. There was a reduction in private indebtedness during the early part of the period, which was never compensated for. At no time was there an adequate flow of private funds to create jobs during the thirties.

Mr. HOFFMAN. During that period to which you made reference, there was the most unemployment, going as high, at one time, as 15,000,000, and averaging $7\frac{1}{2}$ to 8 million, was there not?

Mr. WALLACE. At the beginning of the period—

Mr. HOFFMAN. No; averaging over the thirties and down to 1941, the average unemployment figures were $7\frac{1}{2}$ to 8 million.

Mr. WALLACE. That is roughly accurate. I was going to say, as regards the 15,000,000 figure, that may be too high. It was used, I know, as regards 1932 and 1933. With regard to the $7\frac{1}{2}$ to 8 million figure, I think the Congressman is substantially accurate.

Mr. HOFFMAN. And while the $7\frac{1}{2}$ to 8 million were unemployed the Federal Government appropriated and spent millions of dollars in creating jobs, did it not?

Mr. WALLACE. But, unfortunately, there was not an adequate flow of private capital.

Mr. HOFFMAN. But the Government did so appropriate?

Mr. WALLACE. It did appropriate some millions of dollars to ease the situation.

Mr. HOFFMAN. And it did that to take up the slack in unemployment?

Mr. WALLACE. But it didn't cure the situation.

Mr. HOFFMAN. No; it didn't, and during that same period this confidence upon which you lay so much stress, was in full force, was it not? I mean, the people had the utmost confidence in the President?

Mr. WALLACE. I would say the businessmen didn't have full confidence so much, in the thirties.

Mr. HOFFMAN. They had as much confidence in the President as he had in them, didn't they, according to expressed statements? Well, you don't need to answer that. You threw that in there, so I thought I would chuck the other in.

Now, you said in your book—

How will our free enterprise system survive such a reduction in production?
* * * It is necessary to restore their faith in their free institutions.

You think that is right?

Mr. WALLACE. I think that is generally true of the people, but I don't believe the businessmen had sufficient confidence.

Mr. HOFFMAN. When you were writing that book, why didn't you exempt the businessmen, if you want now to do it?

Mr. WALLACE. There wasn't any ulterior motive, I assure the Congressman.

Mr. HOFFMAN. I realize that, any more than I have one. The point I was trying to make is, there was planning in the thirties. You are familiar with the President's statement, "we planned it that way." Did we plan it that way?

Mr. WALLACE. I read that in the newspapers.

Mr. HOFFMAN. Don't you know, as a matter of fact, that that statement was repeated several times by the President, in his books and writings, with which I am sure you must be familiar.

Mr. WALLACE. I don't know whether that is a newspaper statement, or whether it was in a prepared speech.

Mr. HOFFMAN. You don't doubt he said it?

Mr. WALLACE. I assume he said it; yes.

Mr. HOFFMAN. Then in the thirties, we had this so-called mass unemployment. We had Government spending, and the people had confidence in the administration, and yet, according to your statement, the evil was not cured. What was lacking then? You said private enterprise did not go along.

Mr. WALLACE. Well, I think in justice to the businessmen it should be said that one great reason for lack of confidence in the thirties was the spectre hanging over the whole world in Europe.

Mr. HOFFMAN. Oh, well, in 1932 and 1933 and 1935, we didn't have that.

Mr. WALLACE. At that time it was a very difficult thing indeed to recover from the debacle of 1930, 1931, and 1932, and I think under the circumstances the President did a most remarkable job. I don't claim that the administration had the full picture that is now possible to get. We didn't understand all the elements entering into the problem as we do now.

Mr. HOFFMAN. If it was fear of the world situation that was hanging over us back in those years, how do you account for the Government spending billions on so-called leaf-raking and boondoggling jobs?

Mr. WALLACE. Nobody will defend boondoggling.

Mr. HOFFMAN. What I can't understand is, you said a minute ago, if I got you correctly, that the plan did not work back in those days. You assigned as one of the reasons the fact that fear of the world situation was hanging over our people. Now, if that is what was the matter with us, why did we spend all that money on those useless tasks?

Mr. WALLACE. CWA was continued only for a short period to handle an emergency situation. If I remember correctly also, the President diverted some of the money that was available—made available by Congress at that time—to building up our Navy. It was a very foresighted thing to do.

Mr. HOFFMAN. But at the same time he was saying we didn't need a two-ocean navy. You see, the trouble is, when you go beyond my question in your answer, then I am attempted to throw in something else that is outside the subject matter.

In any event, we had unemployment; we had the Government spending; we had the Government planning, and we had the peoples' confidence in the Executive, and we still had the unemployment.

Mr. WALLACE. Yes. I will return to this; that we didn't have an adequate flow of business funds in the thirties. Businessmen were scared as a result of what happened in the early thirties. That is demonstrated by the fact that in 1940 the total volume of indebtedness, both private and public, was less than in 1930.

Mr. HOFFMAN. I think you said that before.

Mr. WALLACE. Yes; but apparently your memory needs refreshing.

Mr. HOFFMAN. No; my memory doesn't need refreshing.

Mr. WALLACE. Then you wouldn't have misstated my position.

Mr. HOFFMAN. I what?

Mr. WALLACE. If your memory was fresh, you wouldn't have misstated my position.

Mr. HOFFMAN. I didn't misstate your position.

Mr. WALLACE. I said you misstated my position. If your memory was fresh, you wouldn't have misstated my position.

Mr. HOFFMAN. I think if you will read the record you will find I didn't misstate it. I may be lacking in intelligence, but I have a fine memory.

Now, this bill provides for a budget. Or, I may more accurately say, a plan to be sent down by the administration, telling the Congress as near as may be, what the future unemployment will be. Does it not?

Mr. WALLACE. Yes; that is one of the objectives set forth.

Mr. HOFFMAN. Do you think the Executive can estimate with any degree of accuracy what our future unemployment situation will be a year or 2 years ahead?

Mr. WALLACE. Here I must identify the future unemployment situation as related directly to the national income——

Mr. HOFFMAN. I didn't ask you that, Mr. Secretary, with all courtesy permit me; I just asked you whether or not you thought the administration could send down a plan——

Mr. WALLACE. If you will let me finish my sentence——

Mr. HOFFMAN. The trouble is, you are not answering my question.

Mr. WALLACE. If you will let me finish my sentence, you will catch the point I am trying to make. The point I was making is that it is possible a year in advance to estimate with very real accuracy the national income. National income is directly related to the volume of employment. Therefore, it is possible to estimate the volume of employment, I would say, with average error of not more than 3 percent, a year in advance.

Mr. HOFFMAN. Well, now, President Hoover did not hit it very squarely on the head when he said something about two cars in every garage and two chickens in every pot, did he?

Mr. WALLACE. His optimism outran his judgment, in that case.

Mr. HOFFMAN. And we may assume that he acted sincerely and used all the information available to him, may we not?

Mr. WALLACE. I am sure he did, at that time.

Mr. HOFFMAN. And likewise, President Roosevelt, when he made predictions and stated conditions, had the same sincerity and used all available information, did he not?

Mr. WALLACE. Yes.

Mr. HOFFMAN. Then let me call your attention to this statement by President Roosevelt. You will find it in his published papers, book 5, page 449:

This administration has shown the way because it had the will to do. We have sought and found practical answers to the problems of industry, agriculture, and mining.

Then 2 days later, the President said:

Today those factories sing a song of industry * * * banks are secure, ships and trains are running full.

Mr. WALLACE. Would you mind giving me the date?

Mr. HOFFMAN. That was the first one, October 12, 1936; the second, October 14, 1936. One is on page 449, the other on page 480.

Then, again, on October 21, 1936:

Recovery is with us; Federal revenues are increasing, emergency expenditures are decreasing, a balanced Budget is on the way.

There is a prophecy, and I think it was about that time he said he planned it that way.

Mr. WALLACE. I would say that, as with President Hoover, his optimism outran his judgment.

Mr. HOFFMAN. Evidently so, because less than 100 days later, you will find this. On January 20, 1937, this is from his message in the Congressional Record:

I see millions of families trying to live on incomes so meager that the fear of disaster hangs over them day by day. I see scores whose daily lives, in the city and on farms, continue under conditions labeled indecent by so-called polite society. I see millions denied education and recreation, and the opportunity to better the lot of their children. With the millions lacking means to buy the products of farm and factory and by their poverty denying work and productiveness to many other millions, I see one-third of the Nation ill-fed, ill-housed, and ill-clad.

Then to emphasize that, in a fireside chat on March 9, 1937, he said:

I want to talk with you very simply about the need for present action in this crisis, the needs * * * of one-third of the Nation ill-nourished, ill-clad, and ill-housed.

Now, doesn't that overoptimism, as you are pleased to call it—and I think it is a very good expression—on the part of President Hoover and President Roosevelt, lead you to doubt somewhat the ability of any future President to give us a worth-while guide for Congress to take legislative action?

Mr. WALLACE. I think you have made the strongest argument for this bill I have yet heard.

Mr. HOFFMAN. I admire your adroitness.

Mr. WALLACE. No; I really think so. I would assume that both President Hoover and President Roosevelt, not being bound by the objectives as set forth in this bill, were being governed by the immediate—

Mr. HOFFMAN. Wait a minute. You are not going to go into "expediency" are you?

Mr. WALLACE. No. You can help me out, Congressman, if you will.

Mr. HOFFMAN. I will be delighted to—and I said out. And there is nothing personal about that, either.

Mr. WALLACE. Well, we will start the sentence afresh, if your heart bleeds for me to such extent.

Mr. HOFFMAN. I am sorry; I apologize. There is no bleeding.

Mr. WALLACE. I think it would have been a very great help to both President Hoover and President Roosevelt, and to the Congress, and to the country, if both of them had been under the necessity of complying with the processes of a bill like this. Undoubtedly President Hoover believed his statement when he made it, and President Roosevelt believed his statement when he made it.

Mr. HOFFMAN. Sure.

Mr. WALLACE. And I don't think I would question their motives.

Mr. HOFFMAN. I certainly don't.

Mr. WALLACE. Realizing the situation in which both of them found themselves, I would not question their motives. They had the highest motives in the world, but they didn't have the necessity of surveying the whole situation as it was rapidly developing. You will remember that in 1936 there was a soldiers' bonus passed, which resulted in pumping into the lifeblood of the country a very considerable volume of purchasing power.

Mr. HOFFMAN. That was a good thing, wasn't it?

Mr. WALLACE. It was a good thing, but that volume of purchasing power was not going into the economic lifeblood of the country in 1937, and we had what was popularly called a recession in 1937. If an economist, continuously working on this kind of a problem, could have been at President Roosevelt's elbow, he could have saved him from making such an unduly optimistic statement, perhaps, in the fall of 1936. But this matter of depression is so important that it completely transcends partisan politics or class differences or regional differences. It affects all of us. It is important that the Executive bring to the Congress the best over-all picture he possibly can submit, and that Congress, just as this committee, act, regardless of partisan politics or class or regional differences, to bring about the best possible answer on the basis of those recommendations from the President.

Mr. HOFFMAN. Now, the factor that I understand from your statement which may have led both President Hoover and President Roosevelt into error was that neither one was charged with going by the predictions which each was making.

Mr. WALLACE. I would say this—this may not satisfy you because it is not quite a direct answer—but if the President was under the necessity or had the privilege of submitting to Congress quarterly his assessment of the immediate future for total production, total investment flow of all kinds, and total probable jobs resulting therefrom, it would be a continual discipline to the President to apply the facts, not as he desires them to be but as they actually are emerging, quarter by quarter.

Mr. HOFFMAN. And aren't the proponents of this bill in a somewhat similar situation as were the two Presidents? They propose something which they would like to see brought about, but upon the Congress, and the future Congresses, rests the responsibility of making these things work?

Mr. WALLACE. That is right.

Mr. HOFFMAN. So that the proponents of this bill do not labor under the corresponding obligations to make it click, do they?

Mr. WALLACE. They do not control Congress.

Mr. HOFFMAN. Now, under your statement, this bill, if private enterprise fails, and there is mass unemployment, calls on the Government to provide the unemployed with jobs under Government standards of employment. That means minimum wages, and so on.

Mr. WALLACE. That, of necessity, would be true. The public-works project would be let to private contractors under normal standards.

Mr. HOFFMAN. And you have agreed with the proposition that some men may be able to earn only 5 cent an hour—

Mr. WALLACE. If the Congressman will remember—

Mr. HOFFMAN. And as it will be necessary to pay these men a minimum wage, you wouldn't hire the 5-cent man on a Government job?

Mr. WALLACE. Mr. Congressman, I stated that in the period when cotton was selling at 5 cents a pound the workers on small farms and poor farms in the Cotton Belt were selling cotton on a basis which would return them only 5 cents an hour. When cotton is higher the return is greater. But there is no doubt that when cotton is selling very cheap, or tobacco selling very cheap, the return to the farmer from the sale of his product goes as low as 5 cents an hour.

Mr. HOFFMAN. Didn't you mean to say that some workers couldn't earn more than 5 cents an hour, while some might earn as much as \$50?

Mr. WALLACE. I don't remember using the \$50. It is quite conceivable for one to earn that in certain lines. But the situation under which the return would only be 5 cents an hour would be on very small farms, very poor farms, and when cotton is very cheap.

Mr. HOFFMAN. If the Government is to provide these jobs at not less than the minimum wage, do you think that there should be any requirement in the program that a man who is accepted on that job should give the minimum wage, say, 40 cents an hour, worth of work?

Mr. WALLACE. I don't see what that has to do with this bill.

Mr. HOFFMAN. Under the theory of this bill, the Government is to create jobs to be paid for by the taxpayers, and the workers on these jobs would have to be paid the minimum wage—at present 40 cents; if the new bill goes through, 65 cents. Now, should there not be a corresponding obligation upon those for whom the jobs are provided to render 40 or 65 cents worth of work in return for the 40 cents or 65 cents paid?

Mr. WALLACE. I think that is a matter to be handled altogether by the private contractors. The public-works projects would be carried out by the contractors and it is up to them to get a full return for an hour's wages.

Mr. HOFFMAN. Then those that cannot earn the minimum wage should be taken care of by some other Federal program and not left to starve. Of course, nobody wants that.

Mr. WALLACE. Well, that would not come within the purview of this bill, at any rate.

Mr. HOFFMAN. That wouldn't come within it?

Mr. WALLACE. No.

Mr. HOFFMAN. Your contention is that everyone capable of working should have an opportunity to work?

Mr. WALLACE. Should be assured of an opportunity.

Mr. HOFFMAN. Should be assured of an opportunity to work?

Mr. WALLACE. Provided he is willing and capable.

Mr. HOFFMAN. Then when the Government expends this money, tells where the work is to be done, are the unemployed who are to get jobs to be limited to those who are now in good standing in the unions?

Mr. WALLACE. This bill doesn't have a thing to do with that.

Mr. HOFFMAN. Oh, well, bless your heart. I don't see it that way at all. If this bill is to be followed out and put into effect, the Federal Government will appropriate the money, tell the contractor we are going to build a highway at a certain place. The job will be let to the private contractor. Under the present Government policy, he will have what a representative of the CIO here the other day called a union-shop agreement, which is a closed shop. Are you going to shut out from these Federal jobs, paid for by the taxpayers' money, all those individuals who do not belong and will not join unions that may have the bargaining contract?

Mr. WALLACE. That is altogether up to the individual contractors.

Mr. HOFFMAN. But shouldn't the taxpayer be assured, if he doesn't want to belong to a union, that he can get work on the job provided for by his money, or the taxpayers' money?

Mr. WALLACE. I don't believe that is a matter for this bill.

Mr. HOFFMAN. You don't think that has anything to do with it?

Mr. WALLACE. No.

Mr. HOFFMAN. Then what it amounts to is this: You are advocating that if private industry does not provide employment, that the Federal Government provide it by tax money, and that those jobs be given to private contractors, and that those private contractors may be forced into, under collective bargaining, a union-shop contract, which means that any man who doesn't belong to the union cannot work there.

Mr. WALLACE. I am for collective bargaining, if that is what you are getting around to, but I don't think that enters into this bill in the slightest.

Mr. HOFFMAN. According to the claims of the unions themselves, there are only about 12,000,000 workers who belong to the unions. Now, there are millions of others who do not belong. You come along and say this committee should report out, and Congress should enact, as soon as may be possible or convenient to orderly process, and put into law, this bill requiring the Government in the end to spend the taxpayers' money to make a job. Now, shouldn't the man who does not choose to belong to a union have a right to that job as well as the union man?

Mr. WALLACE. I think that is altogether up to the private contractor.

Mr. HOFFMAN. Don't you know, as a matter of fact, that the unions in many instances, in many industries after the start of the war, and during the war—well, leave out the war—with the support of the Government, had this so-called closed shop, under which a man who doesn't belong to the union cannot work?

Mr. WALLACE. I don't propose to get into that kind of an argument in discussing a bill of this sort.

Mr. HOFFMAN. That's all right, Mr. Secretary, but you are asking us to put through a measure which requires the expenditure of taxpayers' money to provide jobs for the unemployed, and you refuse to tell us now whether those jobs should be available to the nonunion man, the man who does not belong to a union, as well as to the man who does?

Mr. WALLACE. I think those who are unemployed and capable should be given assurance of employment.

Mr. HOFFMAN. Regardless of their affiliation with a union, should they not?

Mr. WALLACE. I don't think you can go behind the bargaining situation between the private contractor. Whatever the situation may be in his particular State or region, I don't think you could go behind that, without getting afoul of other Federal laws.

Mr. HOFFMAN. Are you willing to lend your support to a measure which, at the expenditure of taxpayers' money, provides Federal jobs which are open only to members of unions?

Mr. WALLACE. No; I am not saying that.

Mr. HOFFMAN. Then you are in favor of legislation, if we must have this kind of legislation, which will make available to the non-union man as well as the union man a Federal job, are you not?

Mr. WALLACE. I don't think that matter comes into this bill at all.

Mr. HOFFMAN. You don't want to answer that?

Mr. WALLACE. I don't want to answer that.

Mr. HOFFMAN. All right; that is all I have.

The CHAIRMAN. Mr. Cochran.

Mr. COCHRAN. Mr. Secretary, I greatly appreciate your statement, because you endeavored to confine yourself to the provisions of this legislation. Your interpretation of the bill, speaking generally, is the same as mine. There has been a great deal of discussion, with regard to the language in the bill "all Americans able to work and seeking work have the right to useful, remunerative, regular, and full-time employment."

Mr. HOFFMAN. Mr. Chairman, in view of the gentleman's remarks——

Mr. COCHRAN. Just a minute; I refuse to be interrupted. You were going to ask two or three questions and you have been talking for an hour.

Mr. HOFFMAN. I'll talk another hour, so far as that is concerned.

Mr. COCHRAN. All right, but not now.

Mr. HOFFMAN. Confine yourself to the bill and see if a citizen can get a job.

Mr. COCHRAN. Now, Mr. Secretary, Senator Murray, the author of the bill in the Senate, stated:

The right to a job doesn't mean the guarantee of jobs carrying large salaries and definite social standing. It is not the aim of the bill to provide specific jobs for specific individuals. Our economic system of free enterprise must have free opportunity to afford jobs for all who are able and want work. Our American system owes no man a living, but it does owe every man an opportunity to make a living. With that as the proper interpretation of the right to work, full employment does not mean that there should be at any given time no employment at all. Our economic system requires flexibility, which means that at all times a minimum amount * * * of unemployment is inevitable.

Don't you feel that that is a fair interpretation of the language——

All Americans able to work and seeking work shall have the right to useful, remunerative, regular, and full-time employment.

Mr. WALLACE. That is precisely the objective of the bill, as I understand it.

Mr. COCHRAN. I am not going to take up any more of your time, Mr. Secretary, and again I thank you for your statement before the committee.

The CHAIRMAN. Mr. Bender.

Mr. BENDER. Mr. Secretary, I have a publication here prepared by the Ohio Chamber of Commerce, my home State, and in this publication a statement is made as to full employment. That statement reads:

This might mean providing exactly the kind of a job that each individual thinks he should have, or that a bureaucratic system thinks he should have, or, at any event, producing goods or services which workers or bureaus may decide to produce rather than commodities or services the people might wish to have. It might mean restriction on existing apprenticeships and union agreements.

What is your comment on that?

Mr. WALLACE. That the Ohio Chamber of Commerce is unduly exercised and fearful.

Mr. BENDER. Then the question is asked, "What is useful employment?" And their comment is this:

Useful employment will create goods or services the people wish to have. It will not be easy for Government bureaus to create useful employment and at the same time please the workers who are to be employed.

Mr. WALLACE. The Ohio Chamber of Commerce has set up a straw man and knocked him down. Under this bill there would be no effort on the part of Government bureaus to determine just what should be produced in the United States.

Mr. BENDER. Mr. Secretary, are you in favor of promoting public employment in preference to private employment?

Mr. WALLACE. Definitely not. I prefer to get as much private employment as is possible.

Mr. BENDER. Do you think it is a healthy condition to have a million people on the public pay roll, as we have today?

Mr. WALLACE. Obviously, the number will have to be reduced.

Mr. BENDER. Who are the proponents of this bill, Mr. Secretary?

Mr. WALLACE. Well, the first time I ever heard of it was from Jim Patton, of the Farmers' Union. Who all the other proponents are, I don't exactly know.

Mr. BENDER. I was reading in Time Magazine an article on the Smith-Connally bill. Is it not a fact that the proponents of that bill, when it was before the Congress for enactment, said it would end strikes?

Mr. WALLACE. Well, I remember the debate in the Senate. Some of the Senators seemed to hope that that would be the case; they hoped that the war effort would be helped as a result of the Smith-Connally bill, through the ending of strikes.

Mr. BENDER. But strikes have not ended.

Mr. WALLACE. No. The Smith-Connally bill was a war measure, and perhaps helped somewhat during the war. It is obviously not adapted to peace.

Mr. BENDER. As you have no doubt observed during your public service, sometimes we prepare legislation and pass legislation that we think will do something, when in reality it does something totally different.

Mr. WALLACE. Well, that is the history of nearly all legislation. Nevertheless, Congress continues to legislate.

Mr. BENDER. And continues to improve.

Mr. WALLACE. I think it continues to improve; yes.

Mr. BENDER. Regarding this full employment bill, are there any teeth in the bill?

Mr. WALLACE. The bill does not provide any mechanisms for action. It provides for a criterion of judgment for both the legislative and executive branches.

Mr. BENDER. We have read considerable, and I am sure you have, on this bill, both for and against, and observations that have been made that are very much exaggerated.

Mr. WALLACE. In many quarters the hopes are too high. The millennium will not arrive if this bill is passed. It is merely the first step.

Mr. BENDER. Don't you think the Government should concern itself about unemployment?

Mr. WALLACE. I do.

Mr. BENDER. And about full employment?

Mr. WALLACE. About full employment and full production.

Mr. BENDER. Do you have in mind certain measures to implement this bill in the event the bill is adopted in its present form?

Mr. WALLACE. I haven't given any particular attention to that, except the measures that are outlined in the early part of the bill itself. It is obvious that the measures which would be suggested by the President would change from year to year, depending on the circumstances. It is equally obvious those measures would have to do with taxation, fiscal policy, Government regulatory measures, tariff policy, and so on.

Mr. BENDER. Is it unorthodox for those of us who are Members of Congress, or in the public service, to think about unemployment.

Mr. WALLACE. I think it is the No. 1 duty for the Members of Congress.

Mr. BENDER. It is our responsibility, is it not?

Mr. WALLACE. Your responsibility, definitely.

Mr. BENDER. And it is your responsibility, as Secretary of Commerce to concern yourself with unemployment?

Mr. WALLACE. I think so.

Mr. BENDER. So that it is not the work of a wild-eyed Communist to face the problem and endeavor to solve it.

Mr. WALLACE. No. I don't know of any Communist interest in the bill.

Mr. BENDER. The point I am trying to make, Mr. Secretary, is this: so many people have the idea that we are wholly out of order in even discussing this problem and that we should not attempt to take any measures at all, or make any effort to solve the problem; that it is a dangerous thing for the Government to in any way concern itself with unemployment.

Mr. WALLACE. I think the dangerous thing is not to concern ourselves. I feel that if we let ourselves, at any time in the next 5 or 10 years, slip down to a point such as that of 1932, we will again be confronted by a very difficult situation, which cannot be solved in any short period of time. It will take years of toil and trouble to pull out of it; but common sense in advance will prevent our falling into that pit.

Mr. BENDER. It has been said by a number of witnesses here that this bill is a collection of pious phrases and is meaningless. What is your observation on that?

Mr. WALLACE. I think that it is a definite declaration of national policy with regard to productivity and employment, that this declara-

tion of national policy is very important; that the executive branch of the Government would have the duty to fit itself into the framework of this bill, and the legislative branch as well, and that by having their attention oriented by these so-called pious phrases a very constructive result will come about. I have great confidence in Congress doing a meticulously careful and worth-while job, once its attention is oriented to the problem, and I think this bill would bring about in due process of time that very important orientation.

Mr. BENDER. During your public service, have you ever changed your mind?

Mr. WALLACE. Many times.

Mr. BENDER. Circumstances alter cases, don't they?

Mr. WALLACE. They certainly do.

Mr. BENDER. Are we entering a period in this country which is different from that which we have experienced during the last decade?

Mr. WALLACE. It is very different from the last decade, but similar in many respects to the situation that existed from 1919 to 1930.

Mr. BENDER. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Whittington.

Mr. WHITTINGTON. Mr. Secretary, of course I am very appreciative of your frank statement. We are dealing with a difficult problem. As I understand, in the solution of this problem, you oppose a planned economy.

Mr. WALLACE. That is right.

Mr. WHITTINGTON. You advocate fostering free enterprise and the competitive system to promote full production and thus promote full employment?

Mr. WALLACE. That is correct.

Mr. WHITTINGTON. You oppose the competition of the Government engaging in business with private enterprise?

Mr. WALLACE. Except perhaps in yardstick cases, where there is a widespread public impression that monopoly has resulted in unduly high prices. With that qualification I am in complete accord with the Congressman's statement.

Mr. WHITTINGTON. When we say full employment, and when we say the Government engaging in business, we mean it in general terms. You have stated you do not believe in the Government undertaking to guarantee a job for specific individuals. In my view, that is equivalent to saying that I don't believe in the Government guaranteeing generally jobs to citizens. That is my interpretation of the bill, in general terms. I voted for and supported some of these yardsticks to protect the national resources of the country.

But back to what I had in mind. You have stated frankly that there are ways—more than one way of providing full employment, and you have indicated that the method that you favor is the fostering of free enterprise and our competitive system and our democratic way, rather than the totalitarian way.

Mr. WALLACE. Very emphatically.

Mr. WHITTINGTON. So that your objective is to prevent a repetition of the unemployment and the economic fluctuations or depressions, as some people might call them.

Mr. WALLACE. But my fear is that if we fall into great unemployment, as in 1932, we may of necessity have to employ certain methods

that are reminiscent of the totalitarian approach, and I don't like to get into that sort of a mess again.

Mr. WHITTINGTON. We had a depression in the twenties. We are all old enough to remember the great sacrifice and distress that was caused.

Mr. WALLACE. Among the farm community in particular.

Mr. WHITTINGTON. We had some widespread depression in the thirties, and in common with all American citizens we want to prevent a recurrence of those matters and the unemployment that followed and the distress to the citizens. That, I think, is a fair and a general statement; is it not?

Mr. WALLACE. Correct.

Mr. WHITTINGTON. On the other hand, with respect to the problem of unemployment, I personally feel that in emphasizing the remedy for the problem, it is well enough to call attention to the fact that— isn't it a correct statement, often made, that we have done nothing about it? Now, my thought is, to deal with some of the oldest and the greatest causes, as I understood generally, stock manipulation and fluctuations, that the Congress has in the last 12 years undertaken constructively a number of the measures to prevent a repetition. First of all, our banks are guaranteed up to a reasonable amount; secondly, securities and public utilities resulted in huge losses to citizens, and we have provided the Utilities Act and provided the Securities and Exchange Act. We have undertaken to stabilize the price of agricultural commodities. So, I wonder if you will agree the statement, as thus far made, that while we may not have made perfect provision, we have in recent years undertaken to prevent and to minimize the impact and recurrence of a depression?

Mr. WALLACE. We met a very difficult situation unusually well.

Mr. WHITTINGTON. Now, Mr. Secretary, as I understand, you do not advocate continued deficit spending to provide for unemployment?

Mr. WALLACE. That is correct.

Mr. WHITTINGTON. You wouldn't object to a deficit for 1 year, or 2 years, and you advocate a balanced tax to provide for the payment the next year?

Mr. WALLACE. That is generally correct.

Mr. WHITTINGTON. In undertaking to provide for a sound employment on the one hand, it would be wise to discourage those who believe in what we call deficit spending, or those who believe in a guaranteed job for all workers. On the other hand, it would be wise not to put fear into the hearts of the businessmen of the country who have collaborated to produce full production in the war, to prevent them from producing that full production in peace. Is that a fair statement?

Mr. WALLACE. That sets forth a very difficult problem very well. It means we have to travel a razor's edge.

Mr. WHITTINGTON. You would have to be careful, and I agree with you. I agree with you that President Hoover and President Roosevelt, if they had had the benefit of a constructive statute that would have furnished them with more definite information at the time they made their statements, either in public addresses or in communications to Congress, they would have been in better position to have prevented their mistakes. I agree with that.

So that what I am concerned about is this: That in an effort to

provide for full employment, I don't understand that that means an absolute job for every person that works. Some people are seasonal workers, or fractional workers, as you term them. Some people don't work all the year. I am not going to force them to work. I am not going to undertake to provide a job for them all year. So, in an effort to provide what we call full employment, it is fair to say we want to utilize and promote the private competitive system to provide for full production. Is that a fair statement?

Mr. WALLACE. That is correct.

Mr. WHITTINGTON. And in the event, without any statutes or without any legislation that would prevent that—in the event that we give that full encouragement, not only by lip service but by statute to promote that production, and if there is a failure in any of these efforts, and we run into these depressions, or economic fluctuations, you advocate spending or public work to take up the lag, and to provide for sound public-works programs to provide employment that would be scattered throughout the Nation.

Mr. WALLACE. That is correct. I may say that it is at that point where it will require the most careful attention of Congress and the most foresighted vision, and again I repeat that I would hope that we can employ measures in the private field which will prevent us from having to go into that.

Mr. WHITTINGTON. You stated that. Now, you have been fair; you stated in your statement, on page 5, as I recall, that there may be some people here with special axes to grind, that would have an objective in mind that—

Mr. WALLACE. There would be very few of those.

Mr. WHITTINGTON. I agree with that statement. I think there are some people with special axes to grind that do not construe this legislation to mean what you believe it to mean. Now, then, in an effort to provide for a program of sound public employment, is it or not a fair statement to say that we ought in our legislation not to undermine the confidence that we want business to have to provide that employment, on the one hand—

Mr. WALLACE. I am in full accord with that.

Mr. WHITTINGTON. And on the other hand, at the same time, is it not a fair statement to say that we ought not to promote the ambitions of any who may have special axes to grind, who may assert that they believe in a planned economy, who may assert that they believe it is the duty of the Government, in the first instance, to provide jobs for all? We ought to discourage that; ought we not?

Mr. WALLACE. Yes, sir.

Mr. WHITTINGTON. If the language of the bill could be so changed or amended as to promote those two objectives, and as to provide for real constructive legislation, as a framework, or as a yardstick, there would be no objection on your part, would there?

Mr. WALLACE. No objection. I would be interested in seeing what that amendment would be.

Mr. WHITTINGTON. I think that is a fair statement. Now, specifically, Mr. Secretary, you have given us your interpretation of section 2. You have not emphasized that section in the way that many people emphasize it, good people, loyal American citizens, who have said that in their view a full level of employment, full production, the

perpetuation and continuance of our private enterprise and competitive system will be delayed and will be hindered by this language as it appears here. Because they have asserted, in their view, and from their observation, and from their study, it will encourage those, on the other hand, in our country, who do not believe in our private competitive system, who believe in a planned economy, who want the Government to provide jobs, to give them assurance it will provide them, and thus prevent business and free enterprise from providing those jobs, which you and I favor.

Mr. WALLACE. I feel, with regard to that particular section on page 3, that it will give confidence to business rather than take confidence away from it.

Mr. WHITTINGTON. I understand you. You so stated. And I think I was trying to be fair in translating your statement, in asking my question. You did so state. But, on the other hand, there are American citizens, and, frankly, Mr. Secretary—I wouldn't be frank if I didn't say that I share that thought—I am not speaking about strikes, and I am not speaking about my fellow citizens who belong to unions, but I am saying generally, as a citizen of the Republic, and as a Representative in Congress, knowing the problems of unemployment as I have observed them in business, and in Congress, that there is now a tendency on the part of workers not to work, and that there is an absolute scarcity of workers. And I give it to you as my judgment, for whatever it is worth—I don't charge that all of those workers are hesitating to go back to work because they are relying on the Government to provide them with a job, but I do assert, Mr. Secretary, that in my humble judgment, for whatever it is worth, there are a lot of people that have that opinion, and I don't want to encourage them in that. I want to encourage them to go back to work in agriculture, in private enterprise and industry.

Mr. WALLACE. I think the current psychological situation which the Congressman has described is one which will pass within the relatively near future.

Mr. WHITTINGTON. I am in agreement with that proposition, and for that reason I think in not providing for the current situation, and in providing for the long-range view, that we have got to be pretty careful in the legislation we are providing for the long-range view not to perpetuate and continue the existing situation.

Mr. WALLACE. I think it is important at all times among all classes of our citizens to emphasize productivity and the willingness to do a full day's work.

Mr. WHITTINGTON. I am in accord with that view. Now, Mr. Secretary, having specifically asked you about this section of the bill—

Mr. WALLACE. And I think the majority of our citizens are of that type. I think it is only temporarily that a few of them have that approach.

Mr. WHITTINGTON. I agree with you. I have as much confidence in the American people as you have. I think you are encouraging the very thing I have in mind. A lot of people think we are going to provide that sort of thing—and I don't want to have them persist in that idea. I want to discourage them.

Now, Mr. Secretary, as to the provisions of this bill with respect to the so-called national budget. Is it a fair statement of section 3

of this bill to say that the President has to submit that budget, with the staffs, departments now at his command, and that there is no provision for any other statistical or other assistance contained in this bill, except in connection with section 4, where he may ask for an advisory board or advisory committees?

Mr. WALLACE. I think that is a fair statement.

Mr. WHITTINGTON. Well, Mr. Secretary, I am agreeing with you, in the first instance, that I think the President ought to advise the Congress as to the employment situation, as to trends, and that he ought to utilize every agency he has, with or without this bill, and personally if this will give encouragement to him, and confidence to the country, I have no objection to him having that information to check.

But I go a step further, and I would undertake to utilize every helpful and constructive suggestion which you have made that President Hoover and President Roosevelt would have been benefited by, if they had had them. And I would suggest that in addition to the staffs that now obtain, in addition to these advisers or committees, a further board or commission or committee of what you term "economists," advise the President as to these trends, and my thought is that a constructive bill might well provide for a board, or for a commission, or for a staff of economists, if you want to call them that, who are familiar with the trends, who can correlate and advise the President as you indicate, and as I understand, and as I favor, when he submits this budget recommendation or report to Congress, to that the President, in addition to having the recommendations of his staff, his statistical board, his departments, or advisory committees, could have, and the Congress could have, the recommendations of eminent economists or statisticians or outstanding representatives of the public—a board, say, or a commission, of 5, 7, or 9, who would be constantly on the job, who would be constantly making recommendations for the Executive and for Congress, which would enable the Executive to submit his recommendations as to the trends, and as to further outlays, with adequate financing and the Congress to consider them.

Mr. WALLACE. That is a very thought provoking suggestion.

Mr. WHITTINGTON. Mr. Secretary, that is all I have on that; that is the thought that occurs to me.

Mr. WALLACE. It is a matter, of course, which would be very personal with the President, indeed, and I wouldn't undertake to speak for him in any way. It rather recommends itself to me at first glance, I must say.

Mr. WHITTINGTON. Now, Mr. Secretary, having asked you those questions, I think it well to emphasize by these questions, or at least bring to the attention of the country that, first, it is not a fair statement to say that we have done nothing at all about the matter of unemployment; secondly, that I think we should continue in a constructive way to provide against these fluctuations. Thirdly, in doing that, I don't want to run into the difficulties of those who do not favor our competitive system, and who do not actually favor our democratic way, and for that reason I have suggested amendments to this bill, something which is not in the bill, and I would be glad to have you think it over—I would be glad to have any witness who comes before the committee, and I have asked similar questions of other wit-

nesses—and frankly, I would be glad to have constructive language from you about this business—that many who believe in deficit spending, believe that this bill provides for deficit spending; that many who believe in the totalitarian or collective—I won't say communistic—way, although it is my information that some with communistic inclinations do believe in the Government providing the jobs and controlling the jobs.

Mr. WALLACE. The bill doesn't go to that approach in the slightest.

Mr. WHITTINGTON. That is your construction, but personally I believe there is enough language in this bill that might encourage that. To clarify it, so as to provide on the one hand against it, and on the other hand, for meeting the situation.

Mr. WALLACE. In line with what the other Congressman said about deficits, it is important to point out that if we are to have full employment, and have no deficits, except possibly for a year or so, which the Congressman left a loophole for in his statement earlier, it is essential that the tax program be integrated with the other elements that are dealt with in the bill.

Mr. WHITTINGTON. And I agree with that.

Mr. WALLACE. Because if you are going to do a full job with respect to full employment—

Mr. WHITTINGTON. I agree with that.

Mr. WALLACE. And have no deficits, it means your taxation policy is modified, and the incidence of the taxation policy must be such as not, on the one hand, to interfere with employment, and, on the other hand, with full consumption, which again puts us on the razor edge which you so successfully and so properly described.

Mr. WHITTINGTON. I had in mind the language in your testimony before the Senate committee, in which you said:

I want to emphasize that I do not believe that it should or will have those tendencies.

I had that and similar statements on this pending legislation in mind when I asked the question.

Mr. Secretary, one thing further. In the matter of planning. I think something was said by you about the planning that obtained under the National Resources Planning Board. Many of us recall that. Without detracting from some of its suggestions and recommendations, here is my difficulty: I don't recall the National Resources Planning Board ever having recommended at any time, nor do I recall any State planning board, including my own, including the one for the State I represent in Congress, ever, in any of their reports, having recommended any fiscal policy or program to finance the planned spending that they advocate.

Mr. WALLACE. That was the weakness in their set-up.

Mr. WHITTINGTON. That is exactly right, Mr. Secretary. And I want to prevent that. I was willing to give them more than 1 year, one trial. I happen to serve on many committees, and that is the weakness of much of the planning. It is easy to spend, and it is difficult to get the money from the taxpayers, to provide the spending. They submitted plans for raising revenues for spending.

Mr. Secretary, I believe that is all, sir. Thank you for your attention.

The CHAIRMAN. Mr. Church.

Mr. CHURCH. Mr. Secretary, on page 8 of your statement you say:

It is confidence alone that will give us the healthy flow of purchasing power which is the life blood of the private enterprise system. It is confidence alone which will activate the accumulated savings and 'get them used to satisfy accumulated needs and wants.

Then at the bottom of page 2 you say:

The difficulties that are so prominent in the headlines have their roots, I believe, in fear of the future—in lack of confidence in our ability to create and maintain a condition where workers and employers alike will have enough opportunities to earn their living whether in the form of wages or in profits.

Let me ask you to grant an assumption: Assume that business is fearful of this kind of legislation, would you still favor this legislation?

Mr. WALLACE. I would endeavor to educate the segment that is fearful.

Mr. CHURCH. You say the segment that is fearful. You have heard here, Mr. Secretary—the gentleman from Ohio has given you the resolution of the Ohio Chamber of Commerce. You think, perhaps, that was a segment that was fearful? Don't you recognize that most business is fearful of this legislation as leaning toward the socialistic and totalitarian managed economy? Assuming that they fear that, would you still want this legislation?

Mr. WALLACE. I don't believe that most business is fearful of a full economy. I think they want it.

Mr. CHURCH. Do you think that you have the opportunity of educating that segment—

Mr. WALLACE. I have talked with the members of the Committee for Economic Development, a very fine business group, which has 60,000 businessmen over the country serving on their committees, in some 2,900 communities, and they are completely in accord, sir—

Mr. CHURCH. That is the committee that went out of business because—

Mr. WALLACE. May I finish my sentence?

They are completely in accord with the objectives of this legislation. They haven't gone on record for this particular legislation, but they are completely in accord with the objectives of this legislation.

Mr. CHURCH. But you are familiar with the fact that popular opinion and then Congress caused a discontinuance of that committee?

Mr. WALLACE. Of the Committee for Economic Development?

Mr. CHURCH. Oh; I thought you were referring to the National Resources Planning Board.

Mr. WALLACE. No, no; the Committee for Economic Development, which is a businessman's committee. Mr. Hoffman, of Studebaker, is chairman of the committee.

Mr. CHURCH. You say they are in favor of this bill?

Mr. WALLACE. I didn't say that. I said they are in favor of the objectives of this bill. They haven't gone on record for the bill.

Mr. CHURCH. Well, of course, as nearly as possible, full employment—

Mr. WALLACE. They have a publication, which I am sure they would be glad to furnish to any Congressman, entitled "Toward More Jobs and More Freedom."

Mr. CHURCH. The more jobs, what?

Mr. WALLACE. More freedom. You might write to Mr. Hoffman and ask him for a copy, if you care to see it. As I say, the whole group consists of 60,000 businessmen in 2,900 leading communities of the United States.

Mr. CHURCH. Well, if the people in the United States fear that this is an approach to a planned economy, if they fear it is an approach to the so-called socialism at this time, if they fear it is an approach to the communistic planning system, would you then say we should go further with this bill?

Mr. WALLACE. I would say it would be a fine thing for Congress to help disabuse their fears.

Mr. CHURCH. That just leads up to what I want to ask you. What do you think you can do to disabuse the businessmen of this so-called fear? The fear that runs clear through your statement here today?

Mr. WALLACE. Well, I meet with businessmen from time to time. I find them quite reasonable when you meet them face to face and go over the problems. Oftentimes they are told things that are not so, and then their fears naturally are aroused.

Mr. CHURCH. I am wondering if you could possibly estimate the cost of gathering together the information, statistics, and all that would be sufficient for this bill to operate successfully.

Mr. WALLACE. Obviously the physical service in several branches of the Government, and particularly in the Bureau of Foreign and Domestic Commerce, should be very greatly strengthened. I don't know exactly how many additional men it will take altogether to do a really first-class job in both the Census and the Bureau of Foreign and Domestic Commerce, in order to get current information to which Congressman Bender referred. It might conceivably take as many as a thousand men, altogether.

Mr. CHURCH. It would take many field men.

Mr. WALLACE. To get really first-class current information at all times.

Mr. CHURCH. And to keep it current.

Mr. WALLACE. And to keep it current. It is the kind of thing which many business organizations are endeavoring to get done, but which they can't get done in any complete way. The National City Bank attempts to do it in their way; the American Telephone & Telegraph Co. tries to do it another way. All have fine statistical organizations. The different trade associations try to do it in their way. But they all have only a partial segment. If we could do it and get a really complete picture, with a thousand men, I think the business community would look on it as an investment well worth while, not only from the standpoint of this bill, but from the standpoint of current service to them.

Mr. CHURCH. It would take many field men, would it not?

Mr. WALLACE. Yes.

Mr. CHURCH. To go out into the territory. And wouldn't they be concerned with section 2, paragraph (b), the imponderable, indefinite things they have to determine? "All Americans able to work and seeking work, have the right," and so forth. Who is going to determine that, the field men, or who, and how are they going to determine—

Mr. WALLACE. Determine what?

Mr. CHURCH. What is "useful" as used in this bill.

Mr. WALLACE. Nobody connected with Government is going to do that. Unless you are referring to public projects.

Mr. CHURCH. I am referring to section 2, paragraph (b) and I am concerned with the indefiniteness of the terms there. Among them—

Mr. WALLACE. With regard to public projects, obviously you would have them as useful as possible. That doesn't have anything to do with the field men, I wouldn't think. I would assume that would have to do, perhaps, with General Fleming submitting a group of public works, roads and bridges and so on, and things like that. With regard to the statistical work you are talking about—

Mr. CHURCH. Let us keep away from the statistical now. Let us stick to the definition of "useful," so that we, as Congressmen, can try to estimate the tremendous cost or lack of cost.

Mr. WALLACE. You tie the two in together. I don't, sir.

Mr. CHURCH. Let us forget it, then. I want to talk about "useful." That term must be defined, must it not, before we can base statistics upon it?

Mr. WALLACE. Let us find out exactly what you are referring to.

Mr. CHURCH. Section 2, paragraph (b).

Mr. WALLACE. Wait a minute. You referred back to some statement I made on page 9. I haven't found that. That is what we started with.

Mr. CHURCH. That is when I was discussing the question of fear. Now, I am discussing the matter of, as it seems to me, imponderables in this bill that arise—

Mr. WALLACE. We are forgetting altogether anything about my testimony for the moment?

Mr. CHURCH. That is right.

Mr. WALLACE. Now, where are we?

Mr. CHURCH. I don't question your sincerity at all, and I don't question that you are efficient—

Mr. WALLACE. Where are we in the bill?

Mr. CHURCH. Section 2, of H. R. 2202.

Mr. WALLACE. What page?

Mr. CHURCH. Page 2, section 2, paragraph (b). Addressing yourself to this:

All Americans able to work and seeking work have the right to useful, remunerative, regular, and full-time employment * * *

Now, I am bothered about the indefiniteness and the uncertainty of those words. In preparing information, figures, statistics, certainly those statistics must be based upon clear definitions. Now, "useful," Would you attempt either now, or supply it for the record later, a definition of that? I wish you would. I don't want to take the time now. You may supply it for the record at this place—what you consider the word "useful" means as used in this bill, and what you consider the word "remunerative" means under the circumstances of this bill; what you consider the word "regular" means under the circumstances of this bill, and also "full employment."

Those things are very important if the bill is presented to the floor, and if the bill passes with those words in it. The intent of Congress

at the time is very important. I can see a large field of uncertainty in the use of those terms, and a tremendous cost to Government or anyone concerned to ascertain those statistics or figures that will be based upon those words, unless Congress defines them and limits them in some way. I am perfectly willing that you place those definitions, if you will, in the record, in order to be of assistance to us. I don't want you to take the time now to discuss them. I think they are so indefinite it is almost impossible to define them without more careful study. I would like to have your definition of them placed in the record.

Mr. WHITTINGTON. Mr. Chairman, maybe the witness is prepared to give his definition at this time.

Mr. CHURCH. I don't want to take the time of the committee.

Mr. WHITTINGTON. I would like to have his views.

Mr. CHURCH. All right; let us take the first one—"useful."

Mr. WALLACE. I assume that the word "useful" is put in here because the drafter of the legislation feared objection might be brought up that the Government was going to enter into leaf-raking projects. He wanted to give assurance to objectors that that would not be the case.

The CHAIRMAN. Something that would increase the national wealth.

Mr. WALLACE. Something that would increase the national wealth. I think we all want to have some phrase of that sort in as a safeguard when money is going to be spent on governmental projects.

Mr. CHURCH. I want to be fair to you. If, on further thought, you feel you don't have to confine that word "useful" to merely work that will increase the national wealth—

Mr. WALLACE. Well—

The CHAIRMAN. You might add "health and happiness."

Mr. CHURCH. Is it clear to you what that word means?

Mr. WHITTINGTON. Mr. Chairman, I want the witness to answer that question, not you.

The CHAIRMAN. You will accept that?

Mr. WALLACE. Yes. There have been whole volumes of philosophy written on this particular subject. There is no doubt the Congressman is familiar with them.

Mr. CHURCH. That is right.

Mr. WALLACE. But I don't think it is the purpose of the Congress to go into the philosophical field. And from the standpoint of Congress, it seems to me, it is quite obvious. I think each one of us has in his mind substantially the same definition. You want to know what useful work is.

Mr. HOFFMAN. Will you yield for a question?

Mr. CHURCH. I yield.

Mr. HOFFMAN. You say there is such a difference of opinion as to what may be useful. Just to go back very briefly. In the Fourth Congressional District of my State, on some land owned by the Federal Government, in order to increase the volume of wildlife, back in the thirties, the Federal Government entered upon a program of giving employment to workers to erect little brush piles out in the open for the rabbits to go in. You can laugh, if you want to. There was a great deal of correspondence and much argument that that was useful because it increased—

Mr. WALLACE. The rabbit population?

Mr. HOFFMAN. Yes; and created an opportunity for hunters to get meat, and to buy shells and guns. That was advanced with all seriousness as a useful project. I am not one to say, but you can't imagine all the difficulties we labor under.

Mr. WALLACE. I don't know anything about that particular case.

Mr. HOFFMAN. I have a picture I will send over to you. The only thing they forgot to put on them was signs for the mamma and pappa rabbit. They didn't distinguish between the two.

Mr. WALLACE. I remember another case, somewhat similar, where there was a dispute as to whether the water should be drained away to prevent mosquitos.

Mr. HOFFMAN. That is right; and it was worth while to do it to prevent malaria, wasn't it?

Mr. WALLACE. This was not in an area where malaria was prevalent. Or whether the water should be left there to encourage the ducks.

Mr. HOFFMAN. Which proves it is not so simple as it seems.

Mr. WALLACE. I agree with you. There can be differences of definition when you get into public-works bills. There will be many differences of opinion.

Mr. CHURCH. There are governments who have persons who—

Mr. WALLACE. But I don't think you can distinguish it—I don't think you can put it as a matter of legislation. I think that, after all, comes around to the continuing will of the Congress. If, as the result of certain local pressures, the rabbit or the duck boys are getting the upper hand, the matter will soon right itself.

Mr. CHURCH. Keeping in mind all these various opinions of many people you have to decide. There are some governments who have one man, say the top man, a dictator, who can settle those questions quickly and determine it definitely.

Mr. WALLACE. I have been told of governments of that kind, but we don't have that kind here.

Mr. CHURCH. We don't want to place any more fear in the minds of these businessmen, if they get the idea we are approaching that kind of government, do we?

Mr. WALLACE. Nobody is talking about that kind of thing. I don't know of anyone who is talking that way.

Mr. CHURCH. I wouldn't want to pass anything that approaches the communistic philosophy, or approaches socialism. Would you go so far as to say you wouldn't mind going as far as Britain is going?

Mr. WALLACE. None of us is talking about anything of that sort. We are talking about a free democratic America that gives full employment and the maximum of freedom to everybody. That is what we are talking about; that is what this bill talks about.

Mr. CHURCH. I have talked with a British leader, just lately, and he believes that Britain must come to the plan of nationalizing their coal mines for their own protection. In that way, there would be someone definitely able to say what work would be useful. It would be more convenient than here, where we are involved with so many opinions as to what is useful.

Mr. WALLACE. There are a great many different approaches in different countries. Some call it socialism, some not. In the Scandinavian countries, sometimes they will own one utility and another will still go ahead on the free enterprise system.

Mr. CHURCH. The same uncertainty would also apply to the use of the word "remunerative" here, would it not?

Mr. WALLACE. Well, remunerative conveys essentially the same idea as useful, but connotes also there would be some income coming to the worker as a result of the useful work he has done. And I think you would want that.

Mr. CHURCH. In connection with this word "remunerative" let me refer to the testimony of a businessman the other day, who called attention to the fact that thousands of unborn businesses depend upon invention. Those unborn businesses present opportunities for men to work. They are afraid of this kind of a measure. That was the substance of his testimony.

Mr. WALLACE. I would venture to say that if there were full information available, it would be found that there would be many times as many unborn businesses that would be strong for this kind of a measure.

Mr. CHURCH. He testified that he feared this kind of a measure. There are all kinds of wages that can be paid to an inventor who invents a new article that may be useful. He has to struggle on for many years.

Mr. WALLACE. When Congress acted on the excess-profits tax, I think it did more to give assurance to unborn business and men with new ideas than almost anything Congress has done during the past year.

Mr. CHURCH. I want to go back to this interstate commerce feature of this bill. "Regular"—can you define that, as used in section 2 (b), page 2? "Useful, remunerative, regular——"

Mr. WALLACE. It means you have work week after week.

Mr. CHURCH. How do you define "regular"?

Mr. WALLACE. Work, week after week.

Mr. CHURCH. Work, week after week?

Mr. WALLACE. Obviously, I will grant, Mr. Congressman, it may be feasible to write in some little modification of the word "regular." There, obviously, are certain industries where that just cannot be done. There are certain seasonal employments.

Mr. CHURCH. Now you are talking about full-time employment.

Mr. WALLACE. I would look on "full time" and "regular" as essentially modifying each other in concept.

Mr. CHURCH. Do you look at that line there as all standing together in one definition, or separately? If it is useful, is that enough? If it is remunerative, is that enough? If it is regular, is that enough? Or if it is full time, is that enough. Or must it be all four?

Mr. WALLACE. I should say it should be all four, but there should be a modification of the "full time" and "regular" to take care of certain industries.

Mr. CHURCH. You think that should be gone into very seriously?

Mr. WALLACE. But I want to say this; under this bill the Government does not undertake to go into the specific industries as a part of the over-all objective. There should be enough looseness to make it possible to take care of a situation that exists in a small town where a canning factory is the sole industry. Obviously, where the school children take time out of school, and the housewives pitch in

and help, it is not the objective of this bill to see that those people have regular and full-time employment. I think it is worth while to make clear that is not the objective of the bill.

The CHAIRMAN. The Government itself recognized full-time employment as 40 hours a week, 48 weeks a year.

Mr. CHURCH. Yes; but this getting together of statistics, Mr. Secretary, you recognize has to do with the local employment throughout the entire United States, doesn't it? This matter of full employment comes down to all business within a State, doesn't it?

Mr. WALLACE. I am sure that in action, this bill would not be going into the details concerning which the Congressman has fear. But in order to allay his fears, it may be possible to work out some amendment that would take care of it. The dynamic center of full employment is not found in the periphery with which the Congressman is dealing.

Mr. CHURCH. The same person who testified about these millions of unborn businesses, because of new ideas—the gentleman should be interested in that—testified that that situation might, because of these new inventions, create a situation where it is entirely changed the next day from yesterday, and the next day from today. And so those figures would change, these so-called statistics that we would prepare, because of the unborn businesses. There would be a changing new frontier, based upon unborn businesses, and new ideas.

Mr. WALLACE. Well, I am as strong for new ideas and new business as anybody, as strong for inventions as anybody. It is a field which is close to my heart. But, as a realist, I just know new businesses don't come along with the speed which the Congressman described. It just isn't so. We want all we can get of them; we want to give them all the push possible, and we want to help; but we won't have the situation the Congressman describes, unless it is conceivably in the field of atomic energy. That is the only field where I can see the slightest possibility of anything such as you describe coming along.

Mr. CHURCH. Well, you wouldn't stop there, would you, at atomic energy?

Mr. WALLACE. No, no. That, I say, is the only field where I can see the rapidity of motion being of a sort where you have to look into it every day and find the whole national picture suddenly changed.

Mr. CHURCH. The Patent Department is under you?

Mr. WALLACE. That is right. The National Inventors Council has a representative in the Department.

Mr. CHURCH. Don't you take into consideration the future possibilities of these unborn businesses?

Mr. WALLACE. We are tremendously interested in them and following them all the time with the greatest eagerness, but it is not something that is so completely and utterly fluid that it changes every day in the manner described by the Congressman.

Mr. CHURCH. These statistics would definitely have to go to the very heart of all businesses in every State, would they not?

Mr. WALLACE. Yes.

Mr. CHURCH. The work in preparing them; and therefore you would go over and beyond the so-called interstate Federal field in legislating.

Mr. WALLACE. Well, we take a census now. We are taking cen-

suses continually, and necessarily these censuses are taken in the different States. That is already being done.

Mr. CHURCH. Don't forget, Mr. Secretary, I want the benefit of your extension of those definitions in the record. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Ervin.

Mr. ERVIN. Mr. Secretary, I know that you and I are both in favor of the private enterprise system.

Mr. WALLACE. That is right, and in that connection, the greatest danger that we have to fear is a large volume of unemployment.

Mr. ERVIN. Yes, sir. I wouldn't say that is the only thing we have to fear.

FURTHER STATEMENT OF SECRETARY WALLACE—Resumed

Mr. WALLACE. At least you will agree it is the greatest danger we have to fear.

Mr. ERVIN. And we must also fear the things that bring that about.

Mr. WALLACE. That is right.

Mr. ERVIN. The Chairman, Mr. Secretary, has asked you about the system they had in France where a full-employment law of this sort was in effect during a former administration in France. Isn't there some danger, when there is too much employment by the Government, that the Government might exercise too much authority over business and labor?

Mr. WALLACE. Frankly, I don't think this has anything to do with the bill. I think that question is completely beside the point and, to use a lawyer's phrase, thrown in to befog the issue.

Mr. HOFFMAN. Now, I take exception to that, Mr. Chairman.

Mr. ERVIN. Wait a minute. I can take care of myself.

Mr. HOFFMAN. I am not endeavoring to help you at all. I am just one-twenty-first of the committee, but I object to statements going in here that questions are just thrown in to befog the issue. I am sure that so far every Congressman has treated the Secretary courteously and he has no right to question our right to ask these questions. We may be dumb, Mr. Secretary, but give us credit for being sincere.

Mr. WALLACE. Yes, I will give the Congressman credit for being sincere, but I also think these questions are being thrown in to befog the issue.

Mr. HOFFMAN. That's all right; and I think many of your statements are thrown in for the same purpose.

Mr. ERVIN. I refuse to yield.

Mr. HOFFMAN. You don't need to yield. I don't care whether you do or not.

Mr. ERVIN. I can take care of myself.

Mr. HOFFMAN. I raise this question about proper assertions by Members of Congress.

Mr. WALLACE. I don't know why a Congressman can't sincerely throw in a question to befog the issue, if he wants to.

Mr. ERVIN. I wish to assure you, Mr. Secretary, I am not trying to befog the issue; I am simply trying to point out some of the dangers we should avoid.

Mr. WALLACE. What has that to do with H. R. 2202?

Mr. ERVIN. I am coming to that.

Mr. HOFFMAN. It is always the policy to start calling names when a fellow is up against the stump.

Mr. ERVIN. Please, Mr. Hoffman, let me proceed. I think I can do it regularly.

Mr. HOFFMAN. I don't propose to sit here and have my motives questioned and let the assertion go unchallenged.

Mr. WALLACE. I haven't questioned the Congressman's motives.

Mr. HOFFMAN. You question the motives of every Congressman's questions.

Mr. ERVIN. Mr. Secretary, I would like to refer you to the history of a little town in my State of North Carolina, with which everybody down there is familiar. About 60 years ago there were some people who came to North Carolina from the border line of France and Italy and who settled in a little place there. They were poor; they brought with them from their own country their religion, their hopes, their desire to be good Americans, and a desire to work. They wanted full employment. They had been accustomed to growing grapes, so they brought with them some grape vines and set out these grape vines on a rocky hillside, which they purchased at 2 cents an acre about 60 years ago. They were not accompanied by anybody who was desirous of regulating them, or anybody trying to give them Government money. They went to work, and that is the most thriving community in North Carolina today, with a population of about 3,500. They have done it all by hard work, application, private enterprise. Now, isn't that a good method?

Mr. WALLACE. I am heartily for it, sir.

Mr. ERVIN. You remember the time when our Nation was an agricultural nation?

Mr. WALLACE. Mr. Chairman, I have a luncheon engagement at 1 o'clock. I wonder if it might be possible to excuse me.

The CHAIRMAN. Can you come back at 2:30?

Mr. WALLACE. Yes, sir.

The CHAIRMAN. The committee will stand adjourned until 2:30, this afternoon.

(Whereupon at 1 p. m. the committee recessed until 2:30 p. m.)

AFTER RECESS

(The committee reconvened at 2:30 p. m., pursuant to recess.)

The CHAIRMAN. The committee will come to order. I believe that Mr. Ervin had not concluded his questioning of the witness.

FURTHER STATEMENT OF SECRETARY WALLACE—Resumed

Mr. ERVIN. Mr. Secretary, the purpose of my examination was not to befog the issue, but to try to penetrate some of the fog that may surround it. I would now like to discuss some of the provisions of the pending bill and see whether or not, by adopting it, we may not unwittingly arrive at a destination where we do not want to arrive.

If I understand it, if this bill should be passed, it would constitute an authorization, as distinguished from an appropriation bill; is that correct?

Mr. WALLACE. That is correct; yes.

Mr. ERVIN. And if the authorization bill should be passed, it would be almost impossible on the floor of the House or the Senate to make a point of order against the proposed expenditure of money to put the bill into effect, wouldn't it?

Mr. WALLACE. Certainly, to that extent.

Mr. ERVIN. Let us see whether or not this bill might not give us some things we may not want. Let us discuss the bill, for a moment, from the standpoint of the effect on finance. There are only two methods by which the proposed program set forth in this bill could be financed, one by deficit spending, and the other by a new tax bill each year to take care of it; isn't that true?

Mr. WALLACE. No; that is not true.

Mr. ERVIN. How else can it be done?

Mr. WALLACE. The outstanding method provided by the bill is for the furthering of such measures on the part of the President as would bring about the full employment of private capital.

Mr. ERVIN. I mean anything so far as the Government—

Mr. WALLACE. So far as the Government is concerned?

Mr. ERVIN. Insofar as the Government, what I said in my question is true?

Mr. WALLACE. Yes.

Mr. ERVIN. You readily agree that deficit spending cannot be depended upon to do the job.

Mr. WALLACE. It might do so for a year or so, but as a long-time method, no.

Mr. ERVIN. Because it would bring about bankruptcy or devaluation, one of the two.

Mr. WALLACE. If just kept up indefinitely.

Mr. ERVIN. And, of course, bankruptcy would bring chaos.

Mr. WALLACE. That has been the experience of government, at any rate.

Mr. ERVIN. And a devaluation of the dollar too many times would bring about the ruin of all Government bonds, life insurance, savings, salaries, wages, and all banks.

Mr. WALLACE. I am not advocating the devaluation of the dollar, but I would suggest this: The deflation of money has gone on for the last thousand years. At the time of the King James version the recognized wage in England was about tuppence a day, and the price of wheat for centuries had been 10 cents a bushel. The original word "pound" referred to a pound of some precious metal. Likewise the word "livre" in French referred to a pound of some precious metal. There has been over the years a continuous deflation of money.

Mr. ERVIN. I realize that, but I say that devaluation too rapidly, and too swiftly, would bring about ruin.

Mr. WALLACE. Oh, yes, I am in full accord with that.

Mr. ERVIN. The ruin of Government bonds, life insurance, savings, wages, salaries, and banks, would it not?

Mr. WALLACE. It would, first off—

Mr. ERVIN. Would it not?

Mr. WALLACE. It also would if we have undue inflation, which this bill is designed to prevent.

Mr. ERVIN. If we have to have a new tax levy each year to bring in the funds that would be necessary for the Government to spend

under this proposal, that would certainly bring about heavier taxes, would it not?

Mr. WALLACE. Not necessarily. It might bring about lighter taxes. If you have full employment you will have lighter taxes than if you have unemployment. It would be dangerous to have unemployment.

Mr. ERVIN. If it did bring about heavier taxes, that would discourage business and industry, would it not?

Mr. WALLACE. It would just depend upon the total amount of money flowing into productive use.

Mr. ERVIN. You said if the taxes are too heavy it will discourage business and industry.

Mr. WALLACE. Yes. I am against taxes that discourage business and industry, and therefore discourage full employment. This bill is against that, as well.

Mr. ERVIN. If business and industry were discouraged too much, the Government might have to take over and nationalize industry?

Mr. WALLACE. Nobody wants that to happen.

Mr. ERVIN. I am sure we don't want it, but it might happen.

Mr. WALLACE. I would say it is something that is more likely to happen if you have continued unemployment.

Mr. ERVIN. Under the proposal of this bill jobs will be provided either by free enterprise or by Government works, wouldn't they?

Mr. WALLACE. That is correct.

Mr. ERVIN. And, of course, this bill suggests Federal aid to private enterprise, doesn't it?

Mr. WALLACE. That is correct.

Mr. ERVIN. And Federal aid always brings about Federal regulation?

Mr. WALLACE. I don't know that it does, necessarily. I look upon TVA as one of the finest things that has been done in the last 12 years. I don't look upon it as Federal poison. I look on TVA as having fostered a great deal of private enterprise.

Mr. ERVIN. Are you familiar with the Hatch Act, which is to prohibit politics on the part of anybody employed in an instrumentality of the Federal Government?

Mr. WALLACE. Yes.

Mr. ERVIN. There is an example of undesirable regulation.

Mr. WALLACE. We find that sort of thing in all branches of life, unfortunately.

Mr. ERVIN. I was talking about the effect this bill would have on jobs. We have pending in Congress now a fair-employment bill which would nationalize the distribution of practically all jobs, would it not?

Mr. WALLACE. I am not familiar with that, sir.

You are referring to—you say the fair-employment bill?

Mr. ERVIN. So-called.

Mr. WALLACE. I haven't testified on it. If I was called to testify on it, I would be glad to testify on behalf of it.

Mr. ERVIN. Although you say you are not familiar with it.

Mr. WALLACE. Yes.

Mr. ERVIN. It does nationalize the distribution of Federal jobs, does it not?

Mr. WALLACE. I don't think so.

Mr. ERVIN. This bill would supplement that bill, in that those who don't have jobs would be given jobs through the use of Federal funds.

Mr. WALLACE. I don't think the purpose of this bill is to supplement the FEPC.

Mr. ERVIN. One of them would distribute the Federal jobs, and this would provide jobs for those who did not have them with Federal funds.

Mr. WALLACE. The object of this bill is to provide full employment; yes, sir.

Mr. ERVIN. Don't you think if this bill were enacted, there would be some danger that people would be required to work where they are told to work, just as they are in some other places?

Mr. WALLACE. No.

Mr. ERVIN. Mr. Secretary, we have heard lots in recent years about planning. There is one plan I would like to hear you make some suggestion about, a plan to balance the Budget, to pay off the Government debt.

Mr. WALLACE. The one outstanding way to balance the Budget and begin to pay off the public debt is to have, as nearly as may be, all our people on productive labor.

Mr. ERVIN. And other good way is to quit spending so much money.

Mr. WALLACE. If we can have a gross national production of \$200,000,000,000 instead of \$100,000,000,000 a year, we will eventually start paying off the Federal debt.

Mr. ERVIN. Just one more question. In order to avoid deficit financing, of course it will be necessary to bring in a new tax bill every year to take care of any Federal expenditures under this bill, in which event there would have to be a definite proposal to increase taxes. Do you have any specific suggestion you would like to make as to where that new source of revenue could be found, if this bill should be put into effect?

Mr. WALLACE. Let's put it this way: If the tax should be so apportioned as to promote the maximum of employment, I feel it would be wise to take off at least a considerable segment of the excess-profits tax, which should work in that direction. I feel it is wise to continue a very substantial income tax, both on corporations and private income. I feel you could get the maximum consumption and maximum employment by getting a large part of your taxation revenue from those two sources, and that it does tend to produce the maximum consumption and maximum employment; whereas the opposite is true if too large a proportion of the public revenue is obtained by excise taxes of various sorts.

Mr. ERVIN. I know we are in favor, all of us, of decreasing taxes, but where would we increase them if we tried to go through with this program?

Mr. WALLACE. The important thing is the amount of money raised by taxation, rather than the tax rates. Therefore, the all-important thing is to have the greatest volume of national income. I think the way to increase the revenue from taxes is to so apportion taxes that you get the greatest national income.

Mr. ERVIN. Mr. Secretary, my only purpose in continuing this examination is to try to help us avoid pitfalls, if there be pitfalls in this program, and I think only a fair discussion of it, such as we have had, will lead toward that end.

The CHAIRMAN. Mr. Judd.

Mr. JUDD. Mr. Secretary, I notice that all through your statement, and in your remarks here, you have repeatedly emphasized your faith in the ability of private business to provide the jobs that are necessary if it has confidence. That is right, is it not?

Mr. WALLACE. That is correct.

Mr. JUDD. Have you seen evidence, in the last 6 months or a year, that private business is not fully confident regarding America's future?

Mr. WALLACE. My observation is that business is very confident.

Mr. JUDD. And you are speaking—as you say in your testimony, you are using banker's language, when you say that. That is, the rise in the stock market and that sort of thing, is incontrovertible evidence of their confidence in America's future and their ability to do the job this bill is designed to do.

Mr. WALLACE. I would set more store on the Committee for Economic Development than I would in the stock market.

Mr. JUDD. Then who is it that is afraid of the future of America to the degree that we need pass this legislation to allay their fears? You say here, "The difficulties that are so prominent in the headlines have their roots, I believe, in fear of the future—in lack of confidence," and so forth. Who has that fear and lack of confidence?

Mr. WALLACE. There are a great many workers have that fear at the present time, some of whom have already lost their jobs, but many more believe they will lost their jobs by next spring.

Mr. JUDD. Then do you feel that this bill is primarily to reassure workers or to reassure business?

Mr. WALLACE. Both.

Mr. JUDD. But I judge from your statement that you believe the need for this reassurance is greater on the part of the workers than business.

Mr. WALLACE. At one time it will be greater on the part of the workers, and at another, on the part of business.

Mr. JUDD. If the primary way to solve our problem is through maximum business activity and business is very confident, is the need for this bill just now quite as urgent as you have portrayed?

Mr. WALLACE. Business, as you know, is very volatile, and if, as a result of serious unemployment next spring, business would lose some of its confidence at that time——

Mr. JUDD. Do you think there has been some loss of confidence in business in the last 4 or 6 weeks compared with 3 months ago—a certain hesitation or caution evident now that wasn't a few weeks ago?

Mr. WALLACE. No, I don't think I would say so.

Mr. JUDD. I notice you said in your statement, and you emphasized it several times, that we should not weaken or water down this bill, because to do so would weaken confidence, and confidence was the main thing. You will remember that the Senate put in an amendment that the program submitted by the President, program of Federal expenditures for any fiscal year, should be accompanied by a program of taxation designed and calculated to prevent, during that fiscal year and a reasonable period thereafter, any increase in the national debt. Do you think that amendment weakens or waters down the bill?

Mr. WALLACE. Not seriously.

Mr. JUDD. You don't have any objection to that amendment, that the President, at the same time he makes his forecast and recommends Federal expenditures, should also recommend where the money is coming from over a period of 5 or 10 years?

Mr. WALLACE. The completed phraseology is such that I think it is a helping amendment, rather than a hampering one.

Mr. JUDD. I am glad to have your comment on that, because I wondered if you considered that a pledge to provide jobs, no matter what the national debt may be, might not also weaken confidence and also jeopardize the solvency of the Treasury.

Mr. WALLACE. We were faced with a situation of that sort in 1932. At that time, if I remember correctly, there were repeated estimates by the Treasury as to the amount of taxes that would have to be levied in order to balance the budget, and every time we made a fresh estimate, the estimate of the national income went down. They pyramided their estimate of the taxes required until it became ridiculous on the face of it, and they realized that the levying of heavier taxes in a time of depression would not produce——

Mr. JUDD. That is, there is a law of diminishing returns. There comes a place where, if you tax too much, you kill the goose that lays the golden egg, to change the metaphor?

Mr. WALLACE. You have to recognize where you are in the business cycle.

Mr. JUDD. I notice you say here, "I believe it can be done without jeopardizing the integrity of our fiscal system." You believe it can be done, but suppose we find out after a period of 1, 2, 3, 4, or 5 years of trial, that it can't be done without jeopardizing our fiscal system—suppose it requires such Federal expenditures and investment to provide full employment, after business had done all it can, that the drain on the Federal Treasury is jeopardizing the financial solvency of the United States. Would you still favor going ahead anyway, making full employment, not only the first, but essentially, the sole objective of the Government?

Mr. WALLACE. I think it has to be the first objective of the Government. I would say that if the Government fell into the state which you have described, it would have fallen into a worse state without a bill of this sort.

Mr. JUDD. But suppose we pass the bill as it is, and we make this commitment that we will assure continuing full employment, and then we find out that instead of producing the taxes we anticipate in good faith, and instead of private business picking up and taking the bulk of the load, these expected results do not come, and we have to pour more and more Federal money in until, on top of our present debt, there comes a point where there is a question as to the value of our bonds. You sincerely believe it can be done without jeopardizing our fiscal integrity, but if it reached the point where to go any further would jeopardize that integrity, what then?

Mr. WALLACE. I am sure it can be done. I don't know whether you read my book, *Sixty Million Jobs*. It is not my intention to plug it here, but if you read my discussion of the national budget there, you will realize that I am confident it can be done, if we strive to do it.

Mr. JUDD. That is right, you are confident, but confidence is not a guarantee that it can be done.

Mr. WALLACE. I will say it can't be done if we approach it from the standpoint of continual division and quarreling among ourselves.

Mr. JUDD. On page 13 you say: "I think we must say clearly and plainly and flatly that we are going to do this job."

Mr. WALLACE. That is the only way we can do it.

Mr. JUDD. Do you think all things are possible?

Mr. WALLACE. I think that we can produce abundance in time of peace.

Mr. JUDD. You think that we can?

Mr. WALLACE. I am sure we can. Let me put that very positively, very firmly, very vigorously; I know we can. I know the American people want abundance, I know they think they can get abundance, that they should get abundance, and that those who stand in the way of our getting abundance in time of peace are just so much sand in the bearings.

Mr. JUDD. You are sure of it, and I admire your confidence and so forth, but surely you recognize that despite all the determination and certainty in one's own mind, there are still sometimes factors that are beyond one's control, and situations in which one simply cannot be sole master of one's own destiny. It is not conceivable that we might reach a situation where this program, however well-intentioned and planned, simply could not produce the results. I am a physician, and I am called in to see a patient, and I am confident, I am sure he will get well. But any doctor who has been practicing as long as 1 year knows that in spite of the fact that 99.96 percent of the cases with this illness get well, occasionally one of them dies, if it isn't any more than lancing a boil.

Mr. WALLACE. I don't think the United States is that kind of a patient. I think we have a pretty strong constitution.

Mr. JUDD. But the story of nations is that they rise and fall, is it not?

Mr. WALLACE. We don't have to fall.

Mr. JUDD. I agree with you; we don't have to fall. And it is because I don't want us to fall that I wonder whether we dare come out with a flat commitment and say, "I know I can get you well." That may give the ailing patient and his relatives confidence, temporarily, but if, in spite of that assurance, the measures used don't get him better, don't you think there will be a slump afterward? That is, your promise may raise public confidence 10 percent, but if the debt continues to rise public confidence will go down 30 percent later, won't it?

Mr. WALLACE. I will say to the Congressman that in January of 1919, I was associate editor of a farm paper, and I wrote an article for the front page of that paper at that time, indicating that after every great war there had been a slump, and I gave a chart showing what happened after the Civil War, and after the Napoleonic War. I indicated there that we didn't have to have a slump this time if we addressed ourselves to the problem properly. We didn't address ourselves to the problem properly. We could have prevented the slump at that time if we had used our intelligence. We now come to a similar situation after this war. Again I say it has been the experience that after all wars there is a slump. Again I say that it is unnecessary and it is very important that we prevent that slump.

Mr. JUDD. And every person here wants to do his utmost to prevent or at least to reduce that slump. But do you think, with a record of

history like that, that we can say positively to the point of pledging that we will prevent such a slump?

Mr. WALLACE. We can do it, if we will.

Mr. JUDD. You think we can certainly do it?

Mr. WALLACE. We can do it, if we will.

Mr. JUDD. Entirely apart from any possible outside conditions?

Mr. WALLACE. Outside conditions are part of it, as I indicated this morning.

Mr. JUDD. Then you think we can assure full employment. Although I understood you this morning to say that this bill would not assure that there would be no unemployment.

Mr. WALLACE. I indicated that as a matter of practical handling there would be the customary frictional unemployment, part-time unemployment.

Mr. JUDD. You wouldn't want this bill represented to the public as it could be—if it is passed as it is now—as guaranteeing that all people who can work and want work will be able to get jobs?

Mr. WALLACE. I wouldn't want any individual person to feel, as a result of this bill, that he can go to some Federal office in Minneapolis, or Des Moines, or Chicago, and say, "Where is my job?" Because this bill is not that kind of a bill. It would be very unfortunate if it were portrayed to the people as that kind of a bill.

Mr. JUDD. That is exactly the point I am coming to. Don't you think it is unfortunate that to a great many people it has come to mean, whether rightly or wrongly, that this bill, if passed, will assure them of a job?

Mr. WALLACE. I don't know of any proponent of the bill that has endeavored to make the bill appear in that light.

Mr. JUDD. Don't you think that was part of the reason for the name put on it, "the Full Employment Act"?

Mr. WALLACE. No; I don't think so.

Mr. JUDD. You don't think that is somewhat of a misnomer—"the Full Employment Act"?

Mr. WALLACE. I would just as soon call it the Abundance Act. I would just as soon call it the Full Production and Full Employment Act, if you prefer.

Mr. JUDD. Would you object to calling it what I think it is, the Federal Economic Planning Act? Would you have any objection to that title?

Mr. WALLACE. I think it is a good title, except that in the minds of some people planning signifies an undesirable connotation. To me planning is not a naughty word.

Mr. JUDD. I am not scared of the word "planning."

Mr. WALLACE. Neither is Senator Taft, by the way.

Mr. JUDD. Do you think it would be more honest to the people as a whole, in helping them understand what the bill does, to call it the Federal Economic Planning Act, rather than the Full Employment Act?

Mr. WALLACE. I think that would be a good title.

Mr. JUDD. You have recognized, haven't you, that there may be some bad effects—

Mr. WALLACE. I would settle with you on this: Federal Planning Act for Full Production and Full Employment.

Mr. JUDD. I go along with that. Would you object to this title, "An act to promote full employment"?

Mr. WALLACE. Well, that would be a pretty good title.

Mr. JUDD. Would you object to its being defined as, "A bill to establish a national policy and program for promoting full employment," rather than "assuring full employment"?

Mr. WALLACE. It wouldn't be too bad. I don't think it is as good as it is now.

Mr. JUDD. You would prefer the word "assuring."

Mr. WALLACE. Yes.

Mr. JUDD. Why?

Mr. WALLACE. I think it is a little stronger.

Mr. JUDD. You mean it commits the Congress more than the word "promoting"?

Mr. WALLACE. I think it is more likely to get the full abundance which we can have in this country. I think we are going to have to go all out to produce the most we can.

Mr. JUDD. So do I.

Mr. WALLACE. I want that language which will work most strongly in that direction.

Mr. JUDD. Do you think Congress would actually do more about unemployment if the word "assuring" is used, than if the word "promoting" is used?

Mr. WALLACE. I don't know that it would make too much difference.

Mr. JUDD. I am greatly concerned about our misleading the people by inadvertence, or by unintentionally giving them the impression that this will do the things that you and others have testified here it won't do, such as guaranteeing that we will be without unemployment. I am glad to have your testimony, because it seems to me that such changes would strengthen the bill rather than weaken it, because they would indicate we are being thoroughly responsible in our use of language.

Mr. WALLACE. I don't think it would be a seriously crippling amendment.

Mr. JUDD. Now, I want to ask you another type of question. We will admit that the patient was sick in the thirties, and we don't want that kind of sickness again; we don't want to wait until he is in desperate condition and then use just palliative measures. We want to use preventive measures to avoid the kind of things that happened in the 1930's.

Mr. WALLACE. That is right.

Mr. JUDD. I think you will agree that while the patient looked well in the twenties, he wasn't really as sound as he looked.

Mr. WALLACE. There were some hidden difficulties, in agriculture, particularly.

Mr. JUDD. In the last 4 years, since we have been at war, we have had full employment, but would you say that that has been a sound economic condition?

Mr. WALLACE. No; it has not been sound. There has actually been overemployment during the last 3 years.

Mr. JUDD. A lot of people say, "We have solved unemployment during the war, and therefore we can do it during peace." You say that, "This free and self-reliant people simply will not stand for an-

other great depression—not after seeing the production and employment they can achieve, if they get together and decide what they want to do.” Shouldn’t we add, “and if they are willing to borrow enough money”? Because we can have the same employment in peace as we had in war, if we are willing and able to borrow as much money, isn’t that true?

Mr. WALLACE. Historically, of course, we have, especially since 1914, expanded our production by borrowing money, either on private account or on governmental account. As a matter of fact, what you are doing now is defining the capitalistic system. That is the way you work under capitalism. You do get expansion by borrowing money, either on private account or on governmental account. The only other way is by public purchase of common stocks. That is financing.

Mr. JUDD. Is it accurate to say that we haven’t solved the unemployment problem until all people who can work and seek work have jobs and the budget is balanced?

Mr. WALLACE. The budget, over a period of 5 years, as an average of 5 years, is balanced.

Mr. JUDD. When people have jobs and appear prosperous, but at the expense of a 30 to 50 billion dollar debt increase each year, that really isn’t healthy is it? The patient is just living on transfusions.

Mr. WALLACE. But, following out that reasoning, it is necessary to point out that under the democratic, capitalistic system, if you have a balanced budget, and if unemployment is to be prevented, it is essential that there be a great expansion either in equity financing or in private indebtedness, an expansion amounting probably at the present time to somewhere in the neighborhood of \$10,000,000,000 a year. That might be qualified also to this extent; that there must be a continuous reinvestment of corporate profits and surpluses in new plant and equipment, or in the payment of higher wages. In some way or other the money taken out of the system must be restored to the system and not kept idle in savings which are not put to work.

Mr. JUDD. That brings me to the next question. Suppose the President, under this bill, makes a forecast that is favorable, and says, “As near as we can see, there is lots of pent-up private capital; people are eager to spend and invest, they want to build homes; there are more jobs than people eager to take them, and we are in for a boom. Therefore, we should cut down our Federal expenditures to try and offset it.” What do you think the effect of such an announcement by the Federal Government would be? What would be likely to happen?

Mr. WALLACE. Well, some people would take it one way, some another.

Mr. JUDD. How would you take it?

Mr. WALLACE. Well, I would take it that in about 6 months would be the time to go a little slow.

Mr. JUDD. That is, for the Government to go a little slow? Or do you mean if you were a private industry?

Mr. WALLACE. I was referring to myself as private industry. I would go a little slow.

Mr. JUDD. Historically, that is not the way people have reacted when the predictions are that good times are ahead; they borrow more money and enlarge their plants; they see a good market and say, “We will hire more people and expand.”

Mr. WALLACE. I think about half the businessmen would go in the opposite direction.

Mr. JUDD. You don't think there would be any danger of such an announcement causing even greater pressure upon price ceilings and even greater tendency toward inflation through superconfidence, the kind you said Mr. Hoover and Mr. Roosevelt had on cer'ain occasions—overoptimism?

Mr. WALLACE. If the full facts were presented I wouldn't be worried. And that is what the bill is designed to do, bring out a full presentation, a full set of economic facts.

Mr. JUDD. On the other hand, if the President found the situation was not good, that a lot of the private savings had been used up, that there wasn't enough available purchasing power, as near as he could analyze the situation. His prediction then would be that we were headed for a little recession in private spending and therefore we ought to increase public spending. What do you think the effect on business would be of a pessimistic announcement that we were reaching the end of the prosperous period?

Mr. WALLACE. I have always believed in Government bringing to the attention of the people all the facts. I think the people can stand the facts. Suppose the Weather Bureau predicts that there will be a frost. The farmers are glad to have that information. Suppose the Bureau of Crop Estimates predicts the corn crop is going to be a billion bushels less than normal. The livestock feeders are glad to have that estimate.

Mr. JUDD. So that they can immediately hoard what they have and thereby increase the shortage. They don't sell their corn as they ordinarily would because they have to hold on to it. Don't you think that, inevitably, if you make such an announcement it produces the very thing you are trying to avoid—hesitation, caution, retrenchment, which puts people out of work, and precipitates the unemployment you don't want?

Mr. WALLACE. There used to be arguments of that sort against the Government engaging in crop estimates. There used to be extended efforts on the part of some of the speculators to knock out appropriations to what was then the Bureau of Crop Estimates. The public decided, in its wisdom, through the Congress, that the Bureau of Crop Estimates should be continued, and the public has continually wanted more information rather than less information. And if greater information is available and furnished the public, the public does the wise thing instead of the foolish thing.

Mr. JUDD. You are sure the effect of such a forecast by the President, whether optimistic or pessimistic, would not have any tendency to aggravate the dangers in the situation?

Mr. WALLACE. No; I don't think so.

Mr. JUDD. Well, I wish I could be sure of that—

Mr. WALLACE. Of course, it is easy enough to attribute to some Government forecast that which is inherent in the situation itself. You can say the Bureau of Crop Estimates produced a corn shortage, when, as a matter of fact, it was caused by drought.

Mr. JUDD. I am interested in having your testimony, because your testimony is the opposite of the testimony of the gentleman from Texas [Mr. Patman] who introduced the bill, of whom I asked the

same questions a couple of weeks ago. He said an optimistic forecast would be unquestionably inflationary and a pessimistic forecast would be unquestionably deflationary, but that we should overcome it with our proposals for Government spending, and so forth.

Mr. WALLACE. I have seen businessmen so often, you might say, "copper" a Government announcement—that is, they feel when the Government is optimistic that is a good time for business to run for cover. I have seen that time and again. It has been almost a matter of practice on the part of some businessmen.

Mr. JUDD. But if the gentleman from Texas is right in his view, rather than you, wouldn't the President be in this kind of a position: If his studies led him to the conclusion that the prospects for private business were not good, he would either have to report less than the whole truth, or, on the other hand, tell the whole truth and increase the danger of the very thing this legislation is designed to avoid?

Mr. WALLACE. There is no substitute for the truth. This legislation demands truth.

Mr. JUDD. If the President thought there was an unfavorable situation ahead, wouldn't there be terrific pressure on him not to report it fully? For instance, if it came in a Presidential year? Wouldn't there be tremendous pressure on him, whether he be a Democrat or a Republican, to make an optimistic forecast at a time when he was running for election? It would be almost superhuman to expect him to resist the pressure from his own party against making a report which would destroy confidence.

Mr. WALLACE. Under this legislation, I think he would have to tell the truth. I think he would be subject to very serious attack by his opponent, if he didn't.

Mr. HOFFMAN. You haven't had an answer to your previous question, as to the effect of it.

Mr. JUDD. I am not pressing for an answer if he doesn't care to give it. He said some might act one way, and some the other way.

On page 3 of this bill is this section which has been referred to a good many times, paragraph (e) of section 2, which seems to me to make a commitment which I am not sure we can make good on.

To the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment.

It lays down only one criterion, as I read the language—the need. I was taught by my parents that we had to cut our garments to fit our cloth, and that in any situation we had to measure our need with our ability to meet the need. This lays down only one criterion—to provide such volume as may be needed, regardless of our capacity or regardless of the state of our Treasury at the moment. We promise or commit ourselves to a moral pledge to provide whatever volume may be needed. That is, we sign a blank check to be paid at a time which we cannot predict and in an amount which we cannot predict, and when we cannot predict what the condition of the Treasury will be at that time. Do you think a responsible person can make such a pledge as that? Do you not favor modifying that language somewhat?

Mr. WALLACE. I am satisfied with the language as it is. I believe the best way to protect the Federal Treasury is to have full employ-

ment, and if you have full employment, the Treasury will not be depleted.

Mr. JUDD. Suppose we had 8,000,000 men out of work. We were told here the other day that to provide a decent standard of living requires \$3,075 a year for a family of four.

Mr. WALLACE. How much did you say, sir?

Mr. JUDD. \$3,075. That was testified here before us. Mr. Chairman, isn't that the figure that was given?

The CHAIRMAN. For a family of four. Those figures came from the Bureau of Labor Statistics.

Mr. JUDD. They came, I thought, from the Department of Commerce.

Mr. WALLACE. The figures I have from the Bureau of Labor Statistics indicate for the year 1943 the estimated cost of living, for a four-person manual worker's family, ranging from about \$1,540 in one city to a high, in the city of New York, of \$1,816. Maybe there has been an increase since 1943, but I don't think there has been that much of an increase.

Mr. JUDD. Well, let's put it at half that. For 8,000,000 unemployed, it would still be \$12,000,000,000, at \$1,500 a family. Would that not mean a blank check in the amount of \$12,000,000,000 that we pledge ourselves now to pay?

Mr. WALLACE. No; that wouldn't be true at all.

Mr. JUDD. If there were that many unemployed, and private business cannot absorb them, we guarantee or assure them they will get full employment.

Mr. WALLACE. However, your statement disregards the fact that one job in construction work on Government account generates several jobs elsewhere in the economy.

Mr. JUDD. But that is partially offset by the fact that if the money goes into something useful, something that would add to our national wealth, such as a public building, or a bridge, or airport, or flood-control dam, or improving a harbor, the labor would be only a portion of the total cost. That is, in a building costing \$4,000,000, the labor might be only one or two million. So, in order to provide jobs for 8,000,000 people, at an income of \$1,500 a year and considering the additional costs for materials and lots of other things, it certainly wouldn't be less than 10 or 15 billion dollars, would it?

Mr. WALLACE. I think it would.

Mr. JUDD. You think it would be less than that?

Mr. WALLACE. Yes.

Mr. JUDD. But if it should cost that much per year, would you still want to make such a pledge as this in section 2 (e)?

Mr. WALLACE. I want to say that with unemployment the Federal Treasury will be in a worse position than with full employment.

Mr. JUDD. You use that same argument in your book, 60,000,000 Jobs. You say some one will bring up the question, "Where will we get the money?" Your answer, as near as I can get it, is that "we will have to hunt around and find sources of revenue." That is, make the pledge first, and then find the source of revenue. I have difficulty with my conscience in making such a pledge.

Mr. WALLACE. We will be in better shape that way than we will any other way.

Mr. JUDD. Do you think we should make irresponsible statements then, on the assumption that we will be in better shape?

Mr. WALLACE. I don't call it an irresponsible statement. I call it a statement of determination.

Mr. JUDD. To write a blank check, due at some later time, when you don't know what the state of the Treasury will be—that is not a promise, that is just determination? But what happens when the man who gets the check goes to the bank and demands the money?

Mr. WALLACE. It is a statement that the only way to protect the Treasury is for everybody to do useful, productive work.

Mr. JUDD. This will be my final question. You didn't like the amendment the Senate put in, the "consistency" clause:

To the extent that continuing full employment cannot otherwise be achieved, the Government shall provide, consistent with the needs and obligations of the Federal Government, and other essential considerations of national policy.

That is, it shall provide investment and expenditure to assure continuing full employment, only as consistent with its other essential obligations.

Mr. WALLACE. I don't look on that amendment as utterly crippling.

Mr. JUDD. Do you think it is crippling at all?

Mr. WALLACE. Not seriously.

Mr. JUDD. If we put that amendment in, it changes the nature of the pledge, and it makes it a great deal easier for some of us to agree to this general legislation, because we don't make a commitment to meet any need which may arise. We say we will meet that need if we can with the resources we have. We pledge ourselves to do our utmost; but we don't say that whatever the need, we can fill it. I don't see how you can be so confident in saying you know we can. Hitler knew he could conquer the world, but he couldn't.

Mr. WALLACE. We do know we have here the manpower, and we have the resources, and we have the skill, and we have the needs. The thing can be done if we have the confidence and the determination.

Mr. JUDD. And the wisdom. But are you sure we have the wisdom? We may make mistakes. You said yourself that Mr. Hoover and Mr. Roosevelt made mistakes in this very field.

Mr. WALLACE. The only thing to do is to try.

Mr. JUDD. I am in favor of a trial, and, as Mr. Whittington said this morning, in our legislation for flood-control project, rivers and harbors, and roads, and so forth, we have already done that. We had those ready before this bill was ever introduced. I am for all those things. I just wanted your testimony as to whether you felt it would weaken and water down and destroy the bill to have the Senate clauses in it, or something comparable to them, which would indicate to the people that we are going to do our utmost to achieve maximum employment, that we recognize it is our responsibility, if humanly possible, to achieve it, but that we are not going to mislead anybody by saying we guarantee we can accomplish full employment.

Mr. WALLACE. Mr. Congressman, you agree that with our manpower, our skills, and our resources it can be done, if we only have enough confidence?

Mr. JUDD. Only if handled wisely, and I think that wise handling requires in general less control by the Federal Government, rather than more. I agree that it can be done, so far as our destiny is in our own

control. But our destiny is not always in our own control. We thought we could keep out of war by ourselves, but that little bunch of islands, called Japan, decided otherwise. She, not we, decided whether our boys should go to Bataan or to the university, and whether our taxes were to be 20 percent or 80 percent. And outside factors can control us in the peace, too. That is one of the reasons I am so interested in our foreign policy.

I feel that there ought to be in this bill such amendments as I have suggested, saying that it is our purpose to promote maximum employment, but not saying that we certainly assure it. And you wouldn't object to those changes?

Mr. WALLACE. Well, I would prefer the bill as it is. I don't think it would be absolutely and utterly crippling to put it in the way you describe.

Mr. JUDD. You would rather have the bill with those amendments than to have it defeated because you insist on its being accepted the way it is, wouldn't you?

Mr. WALLACE. Yes.

Mr. JUDD. Yes. So would I. That is all.

The CHAIRMAN. Judge Mansfield?

Mr. MANSFIELD. I have no questions, Mr. Chairman.

The CHAIRMAN. Mr. Elliott.

Mr. ELLIOTT. Mr. Wallace, I wasn't here this morning, but I have hurriedly glanced over your statement. I just recently returned from my congressional district, and I am wondering in what way this legislation, if enacted, would help the condition in my State which exists at the present time, when thousands of people are out of employment, there are thousands of jobs available, and yet the people will not take the jobs with the salaries they pay.

Mr. WALLACE. They were getting how much?

Mr. ELLIOTT. They were getting how much?

Mr. WALLACE. How much a week were they being paid?

Mr. ELLIOTT. All the way from \$50 to \$100 and \$125.

Mr. WALLACE. The average salary, we will say, was \$80 a week.

Mr. ELLIOTT. That is right.

Mr. WALLACE. What is being offered them now?

Mr. ELLIOTT. Practically the same type of work.

Mr. WALLACE. At what salary?

Mr. ELLIOTT. Just a small reduction. In some instances the salary was more than they were getting at the particular type of work until they had changed the particular type of work they were doing.

Mr. WALLACE. I am not familiar with the situation at the present time in California, but it doesn't sound like human nature to me, unless they are tired and want a short-time vacation of some kind.

Mr. ELLIOTT. In my own congressional district—I am asking these questions because at one time you were Secretary of Agriculture and are very familiar with the agricultural problems of the United States. In my own congressional district I personally investigated numerous people who are unemployed. They could go into the field of agriculture, where they could make from \$8 to \$20 a day, but they refuse to work in agriculture. My thought is, how can I consistently go along with legislation like this, when my farmers are forced to employ German prisoners of war, and Jap prisoners of war, or Mexican nationals, in order to harvest their crops, when these jobs are available?

Mr. WALLACE. There always has been a tendency for the boy who gets off the farm not to want to return to it, for some reason or another. I suppose when things become normal he will be willing to take farm jobs again. I am surprised that if they are able to get the same wage and are otherwise unemployed, they don't take the job.

Mr. ELLIOTT. I went into the Oakland Bay area, the San Francisco area, and I talked to numerous workers who, before the war, were agricultural workers. Most of them had come from other States, others were from California, and in most instances they could make more money per day in agriculture than they were making at the close of the war. But they told me they were not interested in working in agricultural jobs, because the Government shortly was going to pass legislation in Washington, guaranteeing them so much money per week or month, whatever it might be.

Mr. WALLACE. That wouldn't give them a return of \$80 a week, such as they have been getting. As I understand it, the maximum rate is—what? About \$25 per week, under the proposed legislation?

Mr. ELLIOTT. About that.

Mr. WALLACE. That would be quite a come-down from \$80 to \$25.

Mr. ELLIOTT. I went into details and told them that that would only happen after 6 months, and they would answer, "Well, when the 6 months is up, then we can consider agricultural work."

Mr. WALLACE. I suppose maybe they just feel a little tired, and would like to wait a while before they go back to hard work. I don't know; maybe you can understand their philosophy. It just doesn't sound reasonable to me. There must be some explanation of why they don't want to take farm labor at such good wages.

Mr. ELLIOTT. I am just wondering how can I, as an individual, vote out this type of legislation.

Mr. WALLACE. I don't think the problem you describe has anything to do with this legislation. As a matter of fact, what you are interested in is that some California farmers would want you to vote out this legislation, because it has a direct bearing on the income of California farmers. The greatest single factor in the income of the California farmers is the total pay roll of industry, and it looks now, during the years immediately ahead, as if the total income would be cut by 20 or 25 billion dollars, and that is bound to be reflected in the income of the farmers, not only in California, but of every other State of the Union. It is the greatest single factor entering into the income of the farmer.

Mr. ELLIOTT. Well, all know the more people who have jobs the better off everybody concerned is, but our own Government is not following out the wishes of Congress in seeing to it that jobs are provided. I think it has been stated here that there will be 6 to 8 million unemployed in 1946. To follow through on my statement, we have reclamation jobs, irrigation jobs, Federal roads, rivers and harbors, flood control. In most instances not enough money has been permitted to move at the present time to even do the surveying work, let alone provide the jobs. Certainly this bill isn't going to do the job that we want it to do, unless we permit this money for these many programs that have been planned in advance to get in motion.

Mr. WALLACE. What you are describing is action that may be taken under other bills that would be introduced subsequent to this bill. You are not talking about this bill itself.

Mr. ELLIOTT. I am talking about the effects of it, Mr. Wallace, as I see it; that in order to insure jobs we are going to have to provide the necessary workings—construction, housing. In California we need \$30,000,000. The Bureau of the Budget sends down a recommendation for \$25,000. If this project is not permitted to make test drillings and get in motion on the building of a dam and reservoir, we know much unemployment will result from that project not being put in motion. And there are thousands of others all over the United States under the same rules and regulations at the present time. I want to see full employment, just the same as you do, but here is a job that won't provide those jobs, where Congress has already passed legislation which will provide them.

Mr. WALLACE. I don't think you are talking about this bill, really.

Mr. ELLIOTT. I am talking to one sense of it. It is just like you happen to look at it. I know some of the bills that Congress has passed will provide jobs. This bill is to provide jobs. This is just something that won't provide jobs; it is something that guarantees the taxpayer will pay for somebody not working.

Mr. WALLACE. No, you are not describing this bill at all.

Mr. ELLIOTT. Well, that is just your idea. I have heard quite a bit of the testimony and read several statements here—

Mr. WALLACE. This bill is not designed to finance unemployment. It is designed to promote employment.

Mr. ELLIOTT. Promote employment, but how? How is it going to promote employment?

Mr. WALLACE. By encouraging the flow of private funds and if private funds fail, by appropriating Government expenditure for useful projects.

Mr. ELLIOTT. That is what I am talking about. These useful projects will do what I think is necessary, and we don't have to have this bill.

Mr. WALLACE. Obviously those projects will fit into the total framework of full employment that is not inflationary. As I understand it, General Fleming, of the Public Works Administration, has listed the public works projects in all stages that may total many billions of dollars. If these were all acted upon by the Congress at the present time it would have an inflationary effect. I think it would be unfortunate for them to be acted on at the present time. I think we have to approach the problem from the over-all point of view, so that it doesn't cause overemployment, doesn't cause inflation; also that it doesn't cause underemployment and deflation. I don't think you can judge the merits of this bill on the basis of a few projects in one particular bill.

Mr. ELLIOTT. I am speaking of every State in the Union; it is not only one State. That is all.

The CHAIRMAN. Mr. LaFollette.

Mr. LAFOLLETTE. Mr. Secretary, I have got a bill in here on this same subject, H. R. 4181. Are you acquainted with it?

Mr. WALLACE. No, I am not. I have a copy of it.

Mr. LAFOLLETTE. If you will turn to page 4, line 16 of H. R. 4181, you will notice the words "product" and "service" right at the beginning of line 16.

Mr. WALLACE. Yes.

Mr. LAFOLLETTE. Then if you will drop down to line 21, you will notice at the beginning of that line the word "production and service." If you read the "and service" in connection with the sense of this legislation, as that is amended, we speak of that volume of gross national product and service; and then in the quotes, down in lines 20 and 21, we speak of "full employment volume of production and services." I think that I have added an element to full employment that is a proper element. If you care to, I would like to have your reaction to that thought by adding service as part of the volume.

Mr. WALLACE. I see no objection to it.

Mr. LAFOLLETTE. What I am trying to think of—

Mr. WALLACE. I don't know that it adds particularly to the statement in favor of the bill. I think the other bill comprehends it.

Mr. LAFOLLETTE. My thought was—let us eliminate the atomic age that everyone wants to talk about, which goes into everything, but if we develop technological advances, then part of the measure of our standard of living will have to be in services rendered by those who are no longer employable because of technological advances, so that it occurred to me to consider the idea of service and the money expended and used in services, would be a sound and consistent idea.

Mr. WALLACE. I don't think it is in any way contradictory to the statement as it appears in H. R. 2202.

Mr. LAFOLLETTE. Yes.

Mr. WALLACE. Because on pages 3 and 4, the words "National Production and Employment Budget" would include services. It includes services; I happen to know that it does.

Mr. LAFOLLETTE. There is no disadvantage in specifically including it?

Mr. WALLACE. I don't see any disadvantage.

Mr. LAFOLLETTE. Then, another thing, of largely the same character of which you are speaking. If you will turn to page 6, of 4181, line 6, and then in line 7, you will find the words "freight rates, industrial location and relocation, rural and urban housing." I added those in as specific things. I am quite aware of the fact that the original bill says the program may include, but need not be limited to, and then a series of specific things into which I inject these, but my feeling was that the spreading of our industrial activity into as great an area of the country as possible, with the question of housing that would almost naturally follow, and possibly the location of roads, and highways, should be a specific part of the legislation, or a thing to be considered in making full employment. Does that make sense?

Mr. WALLACE. I see no objection to including such language. I put that purely on the stand of expediency. If it helps pass the bill, fine; if it doesn't, all right. From a purely economic point of view, I would say it would be all right.

Mr. LAFOLLETTE. Your thinking is pretty much in line with mine, possibly, that there are certain benefits that come from local industrialization in what have been rural areas, that have a tendency to raise the standard of living in that area. Isn't that the experience, economically?

Mr. WALLACE. Well, it is the problem of getting the maximum of security for the Nation under all possible conditions.

Mr. LAFOLLETTE. To spread it out as much as possible. Now, again

in 4181, on page 8, line 23, after the word "establishments" in line 23—

Mr. WALLACE. Yes, sir.

Mr. LAFOLLETTE. I added a clause, "and with the Joint Committee on the National Budget hereinafter established in section 5, or any authorized subcommittee thereof which it may designate." Both this bill and 2202 provide for a joint committee, which is a congressional committee, and the additional language contemplates that during the preparation of the budget in the executive branch of the Government that the legislative branch should be rather fully apprised and consulted with as the budget is being prepared. Do you think that would be helpful or harmful, in view of the fact that the joint committee has to pass on it eventually, after it is sent to them?

Mr. WALLACE. Well, I haven't talked to the Director of the Budget on that point. I don't know whether he has testified on the point or not. Frankly, I wouldn't care to go counter to his judgment, whatever it may be.

Mr. LAFOLLETTE. Mr. Secretary, I think you are falling into an error in that answer. We are speaking of the national budget provided for in this bill, as distinguished from the fiscal budget. The national budget provided for in this bill is what I am dealing with, so that I don't think we need be particularly concerned about Mr. Smith's opinion.

Mr. WALLACE. With the bill as drawn, I do think the opinion of the Director of the Federal Budget is of great value in drawing up the national budget. I am quite aware of the distinction between the national budget and the Federal budget, but the preparation of the national budget is so conditioned upon a judgment as to the future national product or national budget, whatever you want to call it, that I am inclined to think that the judgment of the Director of the Budget should be consulted on this point.

Mr. LAFOLLETTE. I think that is right, Mr. Secretary, if you are talking about administration policies, but let us go out and talk about Government policies. Anything that links conference and cooperation between the legislative and executive branches of the Government at all stages of something they both must work on, to me is good.

Mr. WALLACE. I must confess that I have the same view, but I do find, in talking with a number of Senators who have been here a number of years, that they are fearful about the mixing of the functions of the coordinate branches of the Government. As to whether this would help to pass this bill or not, I am not sure, because I have heard much learned discussion on the part of Senators who have grown gray in the service.

Mr. LAFOLLETTE. With all due respect to the people who have grown gray in the service, it occurs to me an idea is an idea, without regard to who advances it, and should be measured that way. I don't know whether you agree on that.

Mr. WALLACE. Some of the people would criticize this proposal as tending in the direction of the totalitarian state, or something of that sort. This is something that has appealed to me for many years, but when I have offered it I have been criticized for being a little pinkish.

Mr. LAFOLLETTE. I haven't had that experience that you have. If I stay as long as you have, I expect I will, too. I don't expect I shall stay that long, however.

Would you mind turning to page 12, of 4181?

Mr. WALLACE. What line, sir?

Mr. LAFOLLETTE. In line 24, right after the word "request." Beginning "The President" and reading over to the end of that section, line 4 on page 13.

Mr. WALLACE. "The President and heads of departments and establishments shall transmit and deliver," and so forth?

Mr. LAFOLLETTE. Yes; that ties into the same thing we were talking about.

Mr. WALLACE. This is the Joint Committee on the National Budget you are talking about?

Mr. LAFOLLETTE. That is right, my feeling being that it doesn't work well, in the sense that it is unfair to the Congress to let the Executive work for a year in the preparation of the national budget, with a great deal of statistical information, and then have it sent up here on January 2 or 3, and then ordered to be ready to prepare a legislative program to carry it out by March 1. It seems to me it puts a burden on the Congress that the Congress should not bear, and it is not in the interest of orderly government.

Mr. WALLACE. Frankly, my prejudices are definitely in that direction on this, provided there is not too much opposition in Congress to it.

Mr. LAFOLLETTE. That is all I want. I wanted to see whether you thought the way I do. I wanted to see if you thought it made sense.

Mr. WALLACE. It makes sense to me, but I do find that the Congress is a little worried about the legislative and the executive branches getting too much mixed up.

Mr. LAFOLLETTE. On page 13, in line 9, after the word "government" there is a semicolon. It reads, "subject, however, to the limitation set out in section (a) hereof." That subsection says, "Such facilities * * * shall not be authorized." Then I say, "subject, however, to limitations—" At the bottom of page 13, beginning with line 25, is a new section that is not in 2202, and it runs over to page 15, line 14. It is rather long to read now. If you feel you can accept my explanation as factual, I will tell you just what I tried to do. Or, if you want to take a minute to read it.

Mr. WALLACE. You are referring to section 9?

Mr. LAFOLLETTE. Yes.

Mr. WALLACE. I have the general purport of it.

Mr. LAFOLLETTE. In substance, what I tried to say was that we should withhold two of the present plants which the Government built with Government money; that one of them we lease to a workers' cooperative, and the other some executive branch of the Government should set up a plant for the production of consumer goods under conditions which would be competitive with free enterprise; that both the proposed lease and the proposed plan should be submitted with the first national budget, and that the Congress may then accept, alter, or reject, either the lease or the plan of operation, final and complete say-so being with the Congress. My thought is, instead of so much debate as to the relative merits of free enterprise, workers' coop-

eratives and Government operation, it would be interesting and serve the people, if we had some factual information from actual operation. I don't know whether you care to comment on that.

Mr. WALLACE. Your proposal is to set up a type of yardstick?

Mr. LaFOLLETTE. A type of yardstick; yes.

Mr. WALLACE. My judgment, from a practical point of view, is that that amendment would tend to interfere with the passage of the act, because undoubtedly there would be a great deal of business opposition to the amendment.

Mr. LaFOLLETTE. I am quite willing to agree to that.

Mr. HOFFMAN. Will you repeat that?

Mr. WALLACE. I said, in my judgment, this amendment, if adopted, would tend to interfere with the passage of the act, because undoubtedly there would be a great deal of business opposition to the amendment.

Mr. HOFFMAN. You mean the La Follette amendment?

Mr. WALLACE. Yes; the La Follette amendment, as contained in section 9.

Mr. LaFOLLETTE. I am willing to grant the practical statement you made. I have been here long enough. But isn't the time coming sometime, maybe, that we should quit making treaties with business and begin to conduct the Government in a way that would be in the interest of the people? I mean, if this would be advantageous, certainly there would be nothing wrong with it, other than the practical consideration which, of course, I admit.

Mr. WALLACE. I would say it is an experiment.

Mr. LaFOLLETTE. And the people are entitled to experiments in a democracy, are they not?

Mr. WALLACE. And experiment in a small way comparable with TVA, and with similar objectives, although not so ambitious.

I think the people are entitled to experiments of that sort from time to time, but I question whether the mood of the people today is such as to permit the adoption of this particular experiment.

Mr. LaFOLLETTE. At least, if it would throw out something that causes discussion, maybe we will give the people a chance to vocalize their mood or their thinking.

Mr. WALLACE. When you speak on this, I would like to know, if you speak on the floor of the House.

Mr. LaFOLLETTE. All right. I have issued a couple of statements on it. We had quite a session here the other day on it.

The other thing is that I have added throughout the bill the term "fair labor employment standards and practices." Fair labor standards, of course, to me mean the Fair Labor Standards Act that was passed. Fair labor practices, I think, is new. I define those in section 10, on page 15, of 4181.

Mr. WALLACE. Yes.

Mr. LaFOLLETTE. My point is that while I agree with the point of view that full employment creates an atmosphere or a condition under which fair employment practices have a better opportunity to exist, full employment doesn't necessarily guarantee it without a statement of principle in this act, that if we have full employment, we should have some fair employment practices with it. Does that make sense to you?

Mr. WALLACE. Yes; although I don't think that necessarily should be a part of this full-employment legislation.

Mr. LAFOLLETTE. The full-employment legislation, in substance, actually directs the policy which the Government shall follow in the future, and which as I read the bill, and I think I understand the legislation, is subject to being implemented or not implemented in the future by future Congresses, is that right?

Mr. WALLACE. That is correct.

Mr. LAFOLLETTE. So that if we are going to direct the course of full employment, I don't think I am quite in agreement with you when you say that you can't chart fair employment at the same time you are laying down the policy.

Mr. WALLACE. That would be very fine, if it could be done, but I question whether it would help the passage of the bill.

Mr. LAFOLLETTE. Again you are talking about practical considerations?

Mr. WALLACE. I am talking about the temper of Congress.

Mr. LAFOLLETTE. I am not quarreling with you about that. I thought you said you didn't think it was germane in laying down governmental policy.

Mr. WALLACE. Let me change the word and say it isn't expedient.

Mr. LAFOLLETTE. Expedient—

Mr. WALLACE. At the present time.

Mr. LAFOLLETTE. May I add this, Mr. Secretary, that it seems to me that along with good intentions, hell is getting paved with expediency.

Mr. WALLACE. Well, that is no doubt true.

Mr. HOFFMAN. Since you have used that term "fair employment" there several times, I wish you would explain it. I don't know what you mean by that.

Mr. LAFOLLETTE. I have defined it in section 10. I will read it for you.

Mr. HOFFMAN. All right.

Mr. LAFOLLETTE (reading) :

The term "fair employment standards and practices"—

Mr. HOFFMAN. You mean the Government law?

Mr. LAFOLLETTE. This is the definition in section 10 of 4181 :

means employment subject and pursuant to the Fair Labor Standards Act of 1938, being the Act of June 25, 1938, and the Walsh-Healey Act, being the Act of June 30, 1936, and all Acts amendatory thereof or supplementary thereto, and any other labor practices under which no person shall be denied the right to work at any job which he or she is qualified to perform, by reason of his or her skill, or to hold by reason of his or her character habits, because of his or her race, creed, color, national origin, or ancestry.

Mr. HOFFMAN. Why don't you put in there "or membership or nonmembership in any political, fraternal, or labor organization"?

Mr. LAFOLLETTE. Well, I don't think that is a necessary standard in a democracy.

The CHAIRMAN. Mr. Resa.

Mr. RESA. Mr. Secretary, I understood you to state that employment generates employment.

Mr. LAFOLLETTE. May I ask, Mr. Secretary, one more question?

Mr. WALLACE. Yes.

Mr. LAFOLLETTE. I notice you were referring several times to whether it was practical or expedient. This is purely a question concerning myself and you. May I ask, you didn't mean to infer, did you, Mr. Secretary, any bad faith on my part in attempting to injure this legislation by presenting this bill?

Mr. WALLACE. I know you too well, Congressman.

Mr. LAFOLLETTE. I know you do. I wanted to get it in the record. Thank you very much.

Mr. RESA. Mr. Secretary, will you please state what is meant by the statement that employment generates employment, and illustrate your meaning?

Mr. WALLACE. Well, for example—that statement was used in connection with public-works projects?

Mr. RESA. That is right.

Mr. WALLACE. We will take the appropriations that are made for public roads, and the bridges that go with public roads. An appropriation of a million dollars—or a hundred million dollars, we will say—is made for public roads, and employment will be created not only for the men on the job but also for the men that produce the cement and produce the steel that goes into the bridges. Take the case of private industry. The men employed in automobile factories not only have employment themselves but they create employment for a large number of dealers, a large number of garagemen. I have forgotten the precise multiplying factor in the case of the automobile industry, but I think it is four or five jobs generated for each job actually in the automobile factory. Of course, the public roads are hooked up with the automobiles in the first instance, so that when you have the public roads it makes possible the sale of more cars; the sale of more cars makes possible more men employed in automobile plants, and they in turn make jobs possible for the men employed in the garages. So there was quite an extensive array of employment that resulted when we embarked on a large-scale program of public roads. In like manner, we have a similar multiplying factor if we embark on a large-scale construction of airports.

Mr. RESA. Now, Mr. Secretary, isn't it also true that employment generates employment in other ways? For instance, the laborers receive wages on a Government project; they buy food. That creates employment.

Mr. WALLACE. Correct.

Mr. RESA. They purchase services. That creates employment.

Mr. WALLACE. That is correct.

Mr. RESA. They spend money for the elements that go into making up the American standard of living; and that creates employment.

Mr. WALLACE. That is correct.

Mr. RESA. So that if the Government faces a probability that 8,000,000 will be unemployed in any given year, its measures to relieve that situation would not by any means involve putting 8,000,000 on Federal jobs in order to do it, would it?

Mr. WALLACE. No; not anywhere near that.

Mr. RESA. Now, is it not a fact that estimates or budgets prepared under this bill will not be concerned with numbers of jobs involved, but will be concerned with the volume of investment and expenditure?

Mr. WALLACE. That is the primary consideration.

Mr. RESA. Necessary to provide the jobs.

Mr. WALLACE. That is the primary consideration. I want to thank you very much for bringing out that point, because it has not been brought out with sufficient vigor heretofore.

Mr. RESA. Now, let me say this: If we faced a year in which, for instance, there would be a deficiency of \$25,000,000,000 of investment and expenditures necessary to provide full employment, the Government would not be faced with the necessity of the outlay of the entire \$25,000,000,000 in order to make up that deficiency in the investment and expenditure. In other words, let me illustrate my question by saying this: Every dollar that the Government spends for these public works will change hands. Every time it comes into the hands of a new owner it is again income. You put up \$1 and it is transferred from the first recipient to another, and so on, through the hands of 10, and with \$1 we have created \$10 of income, have we not?

Mr. WALLACE. Yes; although I believe, customarily, in actual practice, the multiplying factor is something like four.

Mr. RESA. Well, then, to create, let us say—

Mr. WALLACE. That varies greatly according to the state of business and confidence. It may be more than that; it may be less. But it is somewhere in that neighborhood. I am giving that offhand, because I haven't looked into that particular phase of the matter for 4 or 5 years.

Mr. RESA. But, in any event, the job of making up a deficiency of \$20,000,000,000 in the total national income, let us say, in order to provide full employment, would not involve an expenditure by the Federal Government of the entire \$20,000,000,000.

Mr. WALLACE. By no means.

Mr. RESA. You could not, in any situation, calculate the Government's financial burden under this program by taking the number of unemployed and multiplying that number by the amount of dollars necessary to provide a living income, could you?

Mr. WALLACE. That doesn't provide a fair picture.

Mr. RESA. In other words, the Government would not have to provide 8,000,000 jobs in order to bring 8,000,000 jobs into existence, and it would not have to pay out the entire \$20,000,000,000 in order to add \$20,000,000,000 to the amount of national investment and expenditure during any one year; isn't that right?

Mr. WALLACE. I agree with that, Mr. Congressman.

Mr. RESA. Now, when you pointed out that employment generates employment, it was indicated that any reduction in the amount of Federal expenditures, due to that circumstance, would be offset by the amount of money that would have to be paid for material.

Mr. WALLACE. I think that was suggested by Congressman Judd.

Mr. RESA. That is right. The amount of money that is paid for material on the job goes largely into the wages of the men who are employed in the production of that material, so that a large part of that is not an offset against this reduction of expenditure, but is in itself an expenditure to create jobs; isn't that right?

Mr. WALLACE. Yes.

Mr. RESA. That is all.

The CHAIRMAN. Mr. Rich?

Mr. RICH. Mr. Secretary, I know you have had a long day—from 10 o'clock, and it is now 4, and I want to be brief. There are just a few questions I am interested in in order that we may gain a little more knowledge of the difficulties we might encounter in enacting this legislation.

In the first place, let me ask you this question: As Secretary of Commerce, you are forecasting business conditions of the country, are you not, from time to time, in your Department?

Mr. WALLACE. I wouldn't call them forecasts. I might say that we endeavor to discover what the business outlook is. Forecasting suggests a degree of precision which we have not attained with the forces at our disposal.

Mr. RICH. Do you expect to try to forecast business conditions from time to time in the Department of Commerce?

Mr. WALLACE. If this bill were passed, I assume the President would want the Department of Commerce to be somewhat more precise in its description of the business outlook.

Mr. RICH. When you were Secretary of Agriculture, did you forecast the condition of the crops in the country at that time?

Mr. WALLACE. As Secretary of Agriculture, I, like all preceding Secretaries for 40 years or more, put out each month throughout the growing season—not a forecast—but an estimate—yes, it was a forecast—of the crop situation for each of the major crops.

Mr. RICH. After you put out a forecast on a certain crop, did you ever find any conditions that existed that changed that forecast very materially?

Mr. WALLACE. Yes. Let us take corn, for example. We put out the first forecast of corn yields on July 1. Very many times the weather during July caused the forecast on August 1 to be greatly different.

Mr. RICH. So that in making a forecast, conditions can arise that would change the forecast to something quite different from what it was when made 2 or 3 months previous to that time?

Mr. WALLACE. Yes; there were always changes.

Mr. RICH. This morning you made the statement that the Budget Bureau could forecast the income of the Federal Government within 2 percent?

Mr. WALLACE. I said on an average of 3 percent.

Mr. RICH. On an average of 3 percent. Now, let us just look at some of the forecasts of the Government and the amount that they were off: In 1937, they were off 6 percent; those were Treasury figures.

Mr. WALLACE. This is of the national income?

Mr. RICH. Of the national income. In 1938 they were off 14 percent; 1939, they were off 13 percent; in 1940, they were off 5 percent; in 1941, off 22 percent; in 1942, off 55 percent; in 1943, off 35 percent.

Mr. WALLACE. I think the Congressman is misinformed. I think you are dealing with something else than the national income.

Mr. RICH. No; I am talking about the forecast by the Budget Bureau, from the President's report, of what the income would be for the year.

Mr. WALLACE. I am talking about the national income; you are talking about something else.

Mr. RICH. I am talking about the financial income of the Federal Government for the particular years.

Mr. WALLACE. Do you have the gross amounts there?

Mr. RICH. Yes.

Mr. WALLACE. That will enable me to discover just what it is you are talking about.

Mr. RICH. Well, I was talking about the receipts.

Mr. WALLACE. That is quite different from the national income.

Mr. RICH. I am talking about the receipts of the Federal Treasury, the income of the Federal Treasury for the particular year I mentioned.

Mr. WALLACE. The point we are dealing with in this bill, the essential thing to be estimated, is the national income.

Mr. RICH. Well, you believe you can figure the national income, then, within a smaller percentage than you can the receipts of the Federal Government?

Mr. WALLACE. Yes. And, again I say that the average of, I think, a 10-year period the Treasury estimates of national income averaged within 3 percent.

Mr. RICH. My experience would be that it would be more difficult to figure the national income than it would be the national receipts, or the national expenditures.

Mr. WALLACE. Suppose we settle this by getting the figures from the Federal Treasury.

Mr. RICH. I have the figures here, and I have studied them quite often. I carry a Federal Treasury statement with me practically all the time. So I know just about where we are.

Mr. WALLACE. I am talking about the national income, and you are talking about something else, and so far as the bill is concerned, national income is the pertinent figure.

Mr. RICH. Sure, and I am figuring on balancing the budget, and I am figuring the amount of income we get in the Federal Government and the amount of money that we expend, so that when I take the amount of income, as I referred to a while ago, and the amount of expenditures—in 1937, we were off 30 percent; in 1938, 32 percent; in 1939, 27 percent; in 1940, 51 percent; 1942, off 85 percent. So you see the amount that the Budget Bureau sends here in the President's estimate in January is so far from what it actually is at the end of the year, that I question very much, if we form this committee, the Joint Committee on the National Budget, and have them give an estimate—

Mr. WALLACE. That is not in 2202: that is in 4181?

Mr. RICH. No; that is in 2202, section 5, the Joint Committee on the National Budget.

Mr. WALLACE. I thought you were referring to the La Follette proposal.

Mr. RICH. No, no; I am not speaking to the La Follette bill. I don't know anything about it. If we are so far off in the reports that we get in the President's message, as the amounts I have indicated, I question whether we can set up this Joint Committee on the National Budget, composed of the membership of the most busy committees of Congress, and have those men give time enough to delve into the intricacies of trying to make a forecast of business conditions for a

year, and what we will need to do in order to furnish full employment. That is the point I am trying to make: If we are off so badly now in our forecasts of the National Budget as given by the Bureau of the Budget, if we are off as far with this committee that we are going to formulate, we will be in pretty bad shape, will we not?

Mr. WALLACE. No; I don't agree with you. I would like to refer you to my Senate testimony, and I would also like to put in the record what the Treasury estimates have been with respect to the national income, which is the pertinent matter, and not the matter concerning which the Congressman was speaking.

Mr. RICH. I ask you, if we are so far off in figuring our national income, from the amount of money received, and our national outgo, from the amount of money that we spend, how can we forecast with any degree of accuracy—

Mr. WALLACE. I am merely telling the Congressman again that the pertinent matter is the estimate with regard to the national income, and that that was estimated over a period of 10 years within 3 percent.

Mr. RICH. You are talking to one thing, and I am asking—

Mr. WALLACE. That thing is not relevant to this bill at all.

Mr. RICH. It is going to be relevant—

Mr. WALLACE. There are a great many items that enter into the income and outgo of the of the Federal Budget. A great many unexpected items. The President is continually sending up, for example, new estimates of expenditures because of changed situations. Congress, of course, acts in varying ways. All that makes for uncertainty or change. But with regard to the national income, as I say—

Mr. RICH. You say the figures I am speaking about have no bearing whatsoever?

Mr. WALLACE. Very little bearing.

Mr. RICH. Didn't you say a little while ago that you thought the Treasury ought to have a balance over a 5-year period?

Mr. WALLACE. Yes; I will agree with that.

Mr. RICH. And you related that in reference to this bill. You know we haven't had a balanced Budget for 13 years.

Mr. WALLACE. Yes; I am quite familiar with that, Mr. Congressman.

Mr. RICH. And you know we have a national debt now, in October—October 25—of \$261,985,144,217.52?

Mr. WALLACE. I am not sure about the 52 cents.

Mr. RICH. I am not sure about the 52 cents, either. I am serious in this—the relative question of our national finances—because you stated this morning it would take at least a thousand men to try to gather this data.

Mr. WALLACE. I said it might take 1,000.

Mr. RICH. That is a pretty good-sized body of men for the Government to pay for.

Mr. WALLACE. Not nearly as large as are employed by business for similar purposes.

Mr. RICH. What business, for instance? What individual business?

Mr. WALLACE. I was referring to the total body of men employed by business for estimating the state of the market.

Mr. RICH. Well, I think they all have to have men who try to look after the interests of their business, and necessarily they secure the

very best men they can get for that particular purpose. Now, let me ask you this question, Mr. Secretary: This committee that is proposed, comprising 30 Members of Congress, taken from the busiest committees—the chairmen of the busiest committees of Congress—do you think that is a pretty large committee? Do you think it could be cut down somewhat?

Mr. WALLACE. I think the committee as set up in H. R. 2202 is composed about right.

Mr. RICH. Don't you figure that a smaller committee functions better than a large committee?

Mr. WALLACE. Undoubtedly there would be a subcommittee appointed by this large committee for action purposes.

Mr. RICH. Here we have a committee today of 21 members, and at no time have there been more than 12 present at any one time. That shows we can't all be present all day long to take care of the things that are necessary, and therefore, we would be taxing many of these men with other duties to perform and they could not be present. Now, if we take 15 of the heads of the busiest committees of Congress, don't you think we ought to change that committee?

Mr. WALLACE. No; I wouldn't think so, because this committee would be passing on the very heart of the economic problems of the country.

Mr. RICH. You think that would be all right?

Mr. WALLACE. And passing intelligently on the very economic heart of the country. The individual members would be doing more work for the country than they would in attending their other committees.

Mr. RICH. But in private life, when I was in a corporation, I had just about all the work I could do. I came down here and got on a number of different committees, and I am wanted here, there, and some other place at the same time, and I can't give it the same attention. Therefore, when you are spread around you can't devote near as much time to the job as when you center your thoughts on a particular job.

Mr. WALLACE. It is my observation of committees that usually there is one particular individual who becomes unusually well posted on the subject matter. He and several others like him, perhaps not the chairman, will be the ones who continue to attend the committee meetings and the committee more and more comes to rely on the judgment of those who have studied the situation most deeply. I wouldn't expect all 30 of them to be experts in this field, although any who wished might become so.

Mr. RICH. Then you are in sympathy with the idea that in government, as it has obtained since I have been in Congress—I have known some individuals to be put on 25 or 30 very important assignments in public life, in the Government. I always wondered how they could even find time to get around to attending those committees. I never believed in that philosophy. I don't believe in it now. Because I don't believe it possible for a man to assimilate all those things.

Now, let me ask you another question: In your statement on page 9, you say:

I want to say to begin with that I firmly believe a program can be worked out that will provide sufficient employment opportunity in a free competitive economy, without departing from our traditional concepts of individualized liberties, including private enterprise; and this can definitely be done without imposing

tax burdens or other fiscal practices that would defeat the purpose. Specifically, I believe it can be done without jeopardizing the integrity of our fiscal system.

It can be done without continuing deficits in the Federal Treasury if we want to do it that way. The money we need to balance expenditures can be obtained by taxation, rather than by borrowing if that is the policy that seems wise to Congress in the future.

Now, which would you recommend there; that we pay our way, or that we continue to borrow?

Mr. WALLACE. That depends on the economic situation at the particular moment. If we have a situation corresponding to that of 1932, it would be impossible to pay your way.

Mr. RICH. Well, we have to take the situation as we are. At that time, in 1932, we had a debt of about \$18,000,000,000. Today we have a debt of about \$216,000,000,000. Now, that is quite a difference. We have never been in that position in our history, and if we have to go on and expand our debt in the same proportion for the next 15 years, as we have in the last 15, what would be the situation then, so far as our Government is concerned?

Mr. WALLACE. Of course, we are not in a situation at the present time like 1932, and I hope we don't get in that situation. I am just merely mentioning, if we do get into that situation, we cannot handle it by increasing taxes. We were unable to handle it by increasing taxes in 1932, and we shouldn't have tried to handle it by increasing taxes in 1932. But as long as you have substantially full employment, or only moderate unemployment, the sensible thing to do is to arrange the taxes to do the job.

Mr. RICH. You say we can't lay taxes at a time like that, when you have got unemployment?

Mr. WALLACE. I say, when there is no great unemployment we should lay the taxes to pay our way.

Mr. RICH. Do you believe that we should then have a balanced budget?

Mr. WALLACE. Of course, everybody wants a balanced budget.

Mr. RICH. It don't seem so. Congress hasn't shown that to me in the last 12 years, since I have been here. I don't think they want a balanced Budget.

Mr. WALLACE. Yes; I am sure Congress wants a balanced budget. I am sure President Roosevelt wanted one, but he didn't get it.

Mr. RICH. He said in 1936 that in 2 years from then we would have a balanced budget, but he was far from being correct, because each year from 1933 on to the beginning of the war we were off from a billion and a half to five billion dollars—never less than a billion and a half and up to five billion, so that we didn't even approach a balanced Budget during those years, and, of course, during the war—we won't talk about that, because we were off up to sixty billion.

I have got a lot of questions, the answers to which I am interested in, but I am not going to impose them on you. I thank you very much, Mr. Wallace, for being here. I know you have had a hard day, and I appreciate your coming.

Mr. HENRY. Mr. Secretary, in a republic such as we have, commonly known as a democracy, it is a commonly accepted fact, is it not, that during wartime we are obliged to forego many of our liberties and submit to a certain limited amount of regimentation? Do you agree with that?

Mr. WALLACE. Yes; that has been the experience of all wars.

Mr. HENRY. Near the bottom of page 1 of your statement, you say:

This free and self-reliant people simply will not stand for another great depression—not after seeing with their own eyes the production and employment they can achieve if they get together and decide what they want to do.

You were then referring, were you not, to the wartime economy, when people did get together and worked for one common effort?

Mr. WALLACE. That is correct.

Mr. HENRY. You don't feel, do you, that we should submit to that kind of regimentation during peacetime?

Mr. WALLACE. No; and I don't think we will submit to that kind of regimentation unless we get a vast volume of unemployment. I think I should say, as a result of the unemployment of 1930, 1931, and 1932, that the American people did submit to certain things that they would not have submitted to in ordinary times. I think that is the inevitable result of a large volume of unemployment. I don't want to see us go through that again.

Mr. HENRY. Then, down at the bottom of page 1, in your statement, you say:

I think there is also a healthy and correct appreciation of the fact that world peace depends in large part on our success in maintaining full employment here.

That intrigues me very much. I have done everything I could during my term in office here as a Congressman from Wisconsin, to vote for every measure that would tend toward reducing the possibility of warfare and making for peace. I did everything I could, in my small way, to promote the San Francisco Conference; I voted for the Bretton Woods agreements, and I would like to have you point out to me how the passage of this act can promote world peace.

Mr. WALLACE. I feel the degree of employment in the United States and England is perhaps the most important single factor in promoting world peace. If we have substantially full employment in the United States and England, the result is the creation of markets for the surplus producing areas of Latin America, the Orient, and Europe and Africa, in a manner which keeps those spots from being trouble areas. If we have unemployment in the United States and England, trouble areas will spring up all over the world. As a matter of fact, I think the unemployment we had in the early thirties had a great deal to do with what happened later in Germany.

Mr. HENRY. On page 9 of your statement, you say:

Specifically, I believe it can be done without jeopardizing the integrity of our fiscal system.

Then, in the next sentence, you say:

It can be done without continuing deficit in the Federal Treasury, if we want to do it that way.

How would you want to do it?

Mr. WALLACE. As I have explained before, in times of good employment, or fairly good employment, I would endeavor to do it by raising taxes that will enable us to balance the Budget. If, however, there are signs of a rapid downward spiral, the Federal Treasury will suffer less if we throw in an amount of Federal funds, obtained by borrowing, if necessary, to stop the slide. So I think it depends altogether on conditions.

Mr. HENRY. And you would say, wouldn't you, that it would be preferable to do this job and balance the Budget at the same time, if we had our choice.

Mr. WALLACE. Of course.

Mr. HENRY. Do you think it is possible for the Government to assure full employment and to opportunity to secure work to those desiring and able to work, without exercising the power to direct private enterprise and control local and State governments' expenditures, and assign workers to jobs?

Mr. WALLACE. Yes; I think it is possible.

Mr. HENRY. Referring to those expenditures, do you think that a national budget of those expenditures could be forecasted accurately enough, and far enough in advance, to constitute a suitable guide to Government economic policy?

Mr. WALLACE. Yes; I am confident that can be done. I am confident with what we have done during recent years, and with some additional appropriations for the Bureau of the Census and the Bureau of Foreign and Domestic Commerce, that it will be possible to forecast a year in advance the gross national product, the national income, and the volume of employment with an average error over a period of years of less than 2 percent.

Mr. HENRY. Is there a difference between assuring the free exercise of the right to an opportunity for employment and in guaranteeing such a right?

Mr. WALLACE. Yes. The word "guarantee" suggests to some minds the thought that any particular individual can come and say, "Where is my job?" That particular individual may not be capable, he may have a rather bad record in his work for former employers. Even if the individual were capable and had a good record, it would not be possible under the word "assurance" in my opinion, for him to go to any branch of the Government and say, "Where is my job?" But the over-all situation should be such that he should not have to wait too long if he observed due diligence in getting a job. If there is an adequate flow of private capital, or failing, that, of Government capital, within a reasonable length of time the situation should be such that any worthy individual could get his job. But still it would not be in conformity with democracy, as I see it, for any individual to say to some particular branch of the Government, "I am guaranteed a job." This bill does not propose to do that.

Mr. HENRY. On the one hand you have an assurance of an opportunity for work, but you are not guaranteeing a man that he can go to work on some particular job?

Mr. WALLACE. That is right.

Mr. HENRY. Do you think it reasonable to assume that public expenditures can be turned off and on with that precision of timing that would be essential to the successful control of business cycles?

Mr. WALLACE. They never have been in the past. That doesn't say they cannot be in the future. You may remember that Presidents Hoover and Coolidge, back in 1921, were rather interested in this particular philosophy, and pushed it with considerable vigor, both in the early twenties, and later on after Mr. Hoover became President. His methods were highly laudable, but it is not surprising that we should have learned something by his experience and by the experi-

ences of the thirties.' Obviously, some method must be found whereby Congress will be in position to take more rapid action with regard to public works than Congress has hitherto taken, if the turning on and off of public works is to serve to eliminate business cycles. It could be done, but, as I say, it has not been done in the past.

Mr. HENRY. Don't you think the bill, and its attempt to mitigate unemployment, should distinguish the various types of unemployment and provide remedies designed to cure each type? For instance, there is the white-collar job, and there is the day laborer.

Mr. WALLACE. I would very much doubt that. I agree with Congressman Resa's analysis of the mechanism of the bill. It operates through promoting a free flow of capital, if possible of private capital, rather than through going into the many intricacies of the business system.

Mr. HENRY. I notice all through your statement you are very much interested in destroying fear and promoting confidence. Why is it that business and industrialists who are the ones who furnish the jobs are so fearful of this legislation, and how do you feel you would be promoting confidence if they seem to be so fearful of it?

Mr. WALLACE. It is only a segment of the industrial community that is fearful of the legislation. That particular segment of the industrial community would feel more kindly toward the legislation, I am sure, if they had thought of it first. They feel possibly, because the idea originated with Jim Patton and the Farmers' Union, it didn't get properly sponsored. I think, as they understand it better, they will become more favorably impressed.

Mr. HENRY. That is all.

The CHAIRMAN. Mr. Secretary, we have a roll call in the House. Do you object to waiting about 10 minutes?

Mr. WALLACE. No, sir.

(Short recess.)

The CHAIRMAN. The committee will come to order, and we will resume the hearings.

I have one or two questions I would like to ask. I noticed in the colloquy between you and Mr. Resa you stated that those people who were given jobs on Federal projects would be creating jobs for other people. I agree that is true. But one of our objectives in passing this bill is the creation of purchasing power. The fact that we want to create purchasing power is not all. Some people say you can do that by printing money and giving it to the people. None of us agree with that theory. You stated, Mr. Secretary, that none of the proponents of the bill thought this was an assurance or a guaranty of a job.

Mr. WALLACE. I said the word "guaranty" suggested a guaranty to a specific individual. The word "assurance" did not convey that impression.

The CHAIRMAN. One of the witnesses, I believe Mr. Wolfe, of the National Lawyers Guild, who appeared before the Senate Subcommittee on Banking and Currency, on page 812, testified as follows [reading]:

The dictionary defines "assure" as follows: "Make sure or certain; to inspire confidence; a declaration or promise." This latter gives us a clue to the real basis for the objections. A promise by Congress will inspire confidence in the people of the country. They will rely on the assurance of the Government, and they will expect this promise to be effectually implemented. A promise is a commitment, and the public relies on its legislators to honor their commitments.

The way I interpret that, that statement means that the gentleman believes the language of this bill will be a commitment on the part of Congress to provide jobs for everybody. If it can't be done by private enterprise it will be done with Federal funds.

I received a telegram this morning, a fairly long one, from a gentleman in Remsden, N. Y. He says [reading]:

Guaranty to me full employment at high wages, and you guaranty my dividends and interest. Unemployment means starvation for both of us.

He says further on:

Why appeal to woodenheads like you?

That is signed by Augustus F. Richards.

Mr. WALLACE. Where is he from?

The CHAIRMAN. New York.

Now, as I understand your testimony, you wouldn't favor going ahead with public works during times when private enterprise was providing full employment. I mean, public works just to give jobs.

Mr. WALLACE. Or where there is danger of inflation or danger of overemployment.

The CHAIRMAN. Of course, I don't think you or anyone else would say that where it is necessary to expand a water system, or a sewage-disposal system, that that should be postponed, but you do think large public works, like the improvement of rivers and harbors, and possibly some other public works, which are contemplated merely for giving immediate employment to relieve an unemployment situation, should be postponed until times when you have a slack period of employment?

Mr. WALLACE. I believe General Fleming, of the Public Works Administration, has arranged a large volume on what you might say is in order of time priority.

The CHAIRMAN. You also stated, in reply to questions by Dr. Judd, that you believed we could give employment if we had the intelligence.

Mr. WALLACE. I believe Dr. Judd and I agreed on that point.

The CHAIRMAN. Do you believe we can legislate intelligence?

Mr. WALLACE. I think in democracies we always grow in government. The legislative process is merely one process that helps in this growth.

The CHAIRMAN. Mr. Hoffman.

Mr. HOFFMAN. On page 10, I read:

If this should turn out to be the case—if business doesn't provide the opportunities for useful investment of the peoples' savings—then I expect the people will see no reason why they should not provide their own outlet. I expect they will provide such outlet for themselves through their Government by investing the money in useful public projects.

Doesn't that mean that Government will take the tax money and create these jobs to give the unemployed purchasing funds?

Mr. WALLACE. According to the state of the business cycle, it would mean either taking money raised by taxes, or money that had been borrowed.

Mr. HOFFMAN. What it simmers down to is that the people are investing their own money in jobs for themselves?

Mr. WALLACE. That is what it comes down to.

Mr. HOFFMAN. I am unable to distinguish that from this so-called

boot-lifting process, lifting yourself by your own boot straps. How does it differ?

Mr. WALLACE. I would say it differs in this way: that if you work, something substantial is being done; if you don't work, it is not being done. The difference between lifting yourself by your boot straps—a process that results from inflation—and actually making progress, depends on whether or not the money, whether private or Government, is spent for useful purposes, so that it actually results in employment that increases the national product.

Mr. HOFFMAN. You come around again to something like this: If I go out on a woodlot and cut some wood, and burn part of it and sell part of it, I have started the ball rolling, and, everybody taking it up, we will get somewhere.

Mr. WALLACE. That is right.

Mr. HOFFMAN. But doesn't it also include the process, when you do it by taxation, of taking from one group of people for the benefit of the unemployed?

Mr. WALLACE. From the strictly economic point of view, the result is the same, whether you do it by money raised by taxation, or whether you do it by money that is loaned by a person who has made savings to a businessman who has no money. Personally I prefer to do it by using the private funds. But the economic effect is no different in one case than in the other.

Mr. HOFFMAN. Then over on page 9, speaking of these Government expenditures, you say [reading]:

It can be done without continuing deficits in the Federal Treasury if we want to do it that way. The money we need to balance expenditures can be obtained by taxation rather than by borrowing if that is the policy that seems wise to Congress in the future.

Isn't it true that if we get the taxes up to a certain level business just quits and there are no more businesses to tax?

Mr. WALLACE. That observation applies, Mr. Congressman, especially to the excess-profits tax in times of peace, taxes that run up to 85 percent. It doesn't apply to lower tax rates. It is amazing how much tax rate corporations and private individuals can stand, provided there is full employment and full production.

Mr. HOFFMAN. Full employment does not insure business success; does it?

Mr. WALLACE. Judging from past experience, I would say that is the most important element in business success. I could reverse the statement and say that business success is the most important element in full employment. The two go together.

Mr. HOFFMAN. But we had full employment during the war; didn't we?

Mr. WALLACE. Yes; that is correct; and also we had corporation profits, after paying taxes—

Mr. HOFFMAN. For a few.

Mr. WALLACE. Of twice as much as we had during the 5 years prior thereto.

Mr. HOFFMAN. For a few.

Mr. WALLACE. I refer to the total for all corporations. There were, as you know, during 1941 and 1942 approximately 600,000 small businessmen who went out of operation.

Mr. HOFFMAN. That is what I was wondering about. You say here in your book that during the war a half million of them disappeared due to wartime conditions. We had full employment, but a half-million small businessmen went out of business, according to your statement.

Mr. WALLACE. That is during the war, for wartime reasons. Filling-station operators, of course, went out of business, for perfectly obvious reasons. During the past year, if I remember correctly, about 200,000 of these small businessmen have again come into business—maybe more than that. I am informed that there were a quarter of a million in the first quarter of 1945, the first quarter being the latest period for which we now have data.

Mr. HOFFMAN. That would indicate that small business has turned rapidly to reconversion and to getting us back into a condition where there will be employment; wouldn't it?

Mr. WALLACE. It indicates that these small businessmen who went out of business saw the end of the war coming and decided to get back into their customary activities.

Mr. HOFFMAN. And, of necessity, they must give employment to others?

Mr. WALLACE. Definitely.

Mr. HOFFMAN. And it is true, is it not, that big business has gone a long, long way on the road toward reconversion at the present time.

Mr. WALLACE. Yes; they have made very rapid strides.

Mr. HOFFMAN. And you don't know of any large corporation or business concern which has evidenced any sort of sit-down, slow-down, or failure-to-act policy, do you?

Mr. WALLACE. I can't name any. I have heard some folks say that there were some business concerns doing that, but I can't name any.

Mr. HOFFMAN. I recall reading that Mr. Reuther said that. I asked Mr. Snyder that question yesterday and he said he knew of none. I just wondered if you knew of any.

Mr. WALLACE. I can't name any.

Mr. HOFFMAN. Then you wrote this, which appears on page 17 of your book [reading]:

Five cents an hour is too high if the worker doesn't earn it.

I think Mr. Ford, the grandson, made a similar statement, that 5 cents an hour was too much if he didn't earn it. Also, that \$50 an hour was not too much, if he did earn it. I think we will probably all agree with that, but in that connection I am wondering where you stand or what you think about this union policy of limiting production. Let me state to you a couple of instances. We have had several strikes because someone in a factory wanted to do more than the union schedule called for. It seems the union had a work standard. Do you believe that where they establish a minimum wage, or where they have established a wage by collective bargaining, that there should be a standard limiting the amount of work which a worker should be permitted to do, provided he wants to do more than that?

Mr. WALLACE. No; I don't believe that at all.

Mr. HOFFMAN. You don't believe that?

Mr. WALLACE. I do not, and I think the responsible heads of labor organizations are more and more seeing—

Mr. HOFFMAN. That that is a mistake?

Mr. WALLACE. That that is a mistake.

Mr. HOFFMAN. I think so, too. Otherwise, we would all be back to pushing the dirt around with a stick, if we followed that policy through to its logical end. Then there was a little confusion in my mind about what you meant, or the conclusion at which you arrived from your discussion with Mr. Resa on the cost of these jobs. A witness, Mr. Cowan, Nathan Cowan, appearing here the other day for the Congress of Industrial Organizations, testified that \$3,075 per year was the minimum amount on which a worker could subsist on what we agree should be the American standard of living. The estimate all through has been that we would have 8,000,000 unemployed soon. Now, if we take Mr. Cowan's figures, that means \$24,000,000,000 in wages alone. I think between you and Mr. Resa, in your discussion, you wiped that figure out, to a certain extent. Maybe I was wrong; maybe I wasn't listening.

Mr. WALLACE. The point that Congressman Resa made was that in order to restore, say, 8,000,000 workers to those gainfully employed, or to return \$10,000,000,000 or \$20,000,000,000 or \$25,000,000,000, as the case may be, to the gross national product, it would not be necessary for the Federal Government to appropriate a sum that great.

Mr. HOFFMAN. I must have misunderstood, I was talking about the cost. If we just split that \$3,000 and call it \$2,000 instead, there you still have \$16,000,000,000 which must be paid out in wages. And I want to ask you, Have you any idea where you are going to get that?

Mr. WALLACE. I would like to call the attention of the Congressman to the fact that in 1945 there were about \$108,000,000,000 spent for salaries and wages.

Mr. HOFFMAN. You said 1945?

Mr. WALLACE. In 1945; this is an estimate for the calendar year 1945.

Mr. HOFFMAN. You said "spent."

Mr. WALLACE. This is an estimate, of course, a preliminary estimate, and the prospects are that for the calendar year 1946 the expenditures will be about \$25,000,000,000 less than that. The prospects also are that the corporate net income, after paying taxes, will be somewhat greater in 1946 than in 1945. So I think it will inevitably be commented on more and more by labor—it perhaps won't be a quite fair comment, but nevertheless I anticipate this comment to arise in great volume—that the national policy has resulted in a reduction in salaries and wages of \$25,000,000,000, but at the same time corporate income, after paying taxes, has remained constant or gone up somewhat.

Mr. HOFFMAN. Well, all of that, if my reasoning is correct, hasn't a thing to do with the question I asked, which was, Where are we going to get this \$16,000,000,000 to pay these 8,000,000 unemployed? Are we to borrow it or raise it by taxation?

Mr. WALLACE. I would hope that we would get the greater part of this, if you don't mind, I will say \$25,000,000,000 that will be short in 1946—

Mr. HOFFMAN. It makes very little difference if it is that amount or the other.

Mr. WALLACE. I would hope we would get the greater part of it by the flow of private capital into useful enterprise.

Mr. HOFFMAN. I hope so, too, but with these threatened strikes in General Motors, in steel—well, look at the front pages of your morning paper from day to day. There seems to be a strike threatened everywhere but in Congress.

Mr. WALLACE. Well, maybe if the wage of the average Congressman was in the process of being cut in half, you might even have a strike in Congress.

Mr. HOFFMAN. Under your theory of the cost of living they have cut them in half already.

Mr. WALLACE. I feel that Congress is getting an altogether inadequate wage.

Mr. HOFFMAN. I think there is no disagreement on the part of anyone, I don't care who he is, or what his job, that he is underpaid.

Mr. WALLACE. I think Congressmen are among the most notoriously underpaid of any in the public service.

Mr. HOFFMAN. I never talk to any one of my constituents that I can't convince him in 15 minutes or less that he isn't getting enough and is working too hard. That is human nature. Still, it is all up in the air, if the figures are anywhere near correct. As you say, we have \$20,000,000,000 or \$25,000,000,000 to get from somewhere, and all you tell us about it, that I can find from your statement—and if you have anything else, I would be glad to have it—is over here on page 9, where you say, "So if we decide to raise enough revenue to balance the Government's expenses"—and, of course, that unemployment item is one of them—"it is perfectly clear"—and this is exceptionally good advice you give us—"that we will have to hunt around and find sources of revenue that will not cripple or strangle the active flow of purchasing demand at the cash register."

Now, Mr. Secretary, frankly, that is what bothers me. If you have any suggestions as to where we can get—I am perfectly willing to hunt anywhere, but I would like to have a directive as to where we can find it.

Mr. WALLACE. I think if we have wholehearted, earnest cooperation between government and labor and industry, the thing undoubtedly can be done. It is physically and fiscally possible to do it if we have that wholehearted cooperation.

Mr. HOFFMAN. I know. Labor says, and they produce figures to prove it—and I have a pamphlet right here from Walter Reuther, who says that General Motors Co., can raise wages 30 percent without adding a nickel to the cost of cars. Back comes General Motors and says that is all hooey. And the poor citizen, and the Congressman—we don't know. Walter doesn't make autos, G. M. does. We thought when we passed the excess-profits tax and when we passed the renegotiation law we just were going to drain off all that excess profit that Walter Reuther and his crew say ought to be split up and given to labor. Do you have any accurate information yourself as to which claim is correct?

Mr. WALLACE. We have made some studies in the Department of Commerce, some preliminary studies, which would indicate that the prospective profits of the automobile industry——

Mr. HOFFMAN. Prospective?

Mr. WALLACE. Prospective, during the next 2 or 3 years.

Mr. HOFFMAN. I don't mean that. Walter Reuther is talking about the money they made in the war. Have you any figure to indicate the corporations have accumulated enough profits that the Government won't finally get its fingers on, so that they could afford now to pay them 30 percent, or any other percent increase in wages and sell me a car at the same old price? Of course, that is just typical, and applies to refrigerators, radios, and everything else.

Mr. WALLACE. The figures can be obtained.

Mr. HOFFMAN. I know, but—

Mr. WALLACE. The sales of the automobile companies, if you take 1936 to 1939 as 100 percent; the sales in 1940 were 30 percent below that; in 1931, 72 percent above. The prospects are that in 1946 they will be 58 percent above, and in 1947, 147 percent above. The prospect for profits in 1941 were two and a half times the prewar years—

Mr. HOFFMAN. Right there. You will admit, of course, that the war years are no guide, because they paid the union men—the manufacturers met the demands of the unions for an increase in wages and they just passed it along to the Government on the contracts, and the Government and the taxpayers finally paid that; isn't that correct?

Mr. WALLACE. That is partially correct.

Mr. HOFFMAN. Well, practically that was the situation. If they demanded an increase in wages and the Government seized the plant, or if it didn't seize the plant, if it was a Government order, finally the Government said, "All right, pay it, and we will charge it up to the war." I am not finding any particular fault with that, but now the war is over and the corporations have now to sell their products to individual customers.

Mr. WALLACE. I wish that the prospect for all industry was as good as for the automobile industry, for 1946.

Mr. HOFFMAN. But, Mr. Secretary, these estimates and prospectuses and prophecies have so often gone astray and proved to be unreliable, as was called to our attention today in the case of Mr. Hoover and Mr. Roosevelt, and as Mr. Rich tried to point out in some of the figures he cited, and we don't like to rely on that. Moreover, that is not only claimed by Mr. Reuther, there was a pamphlet around showing the profits made by the steel companies. Have you seen that?

Mr. WALLACE. No; I haven't seen it.

Mr. HOFFMAN. The sum and substance of it, just as in Mr. Reuther's statement, is that these companies have enough profit that they have made out of war contracts, so that they could pay labor 30 percent more and not increase their prices. I think it would be a well worthwhile service, not only to this committee, but to the public generally, if you know the truth, to put that in, because all these industries turn right around and say it can't be done—"Here are our books."

Mr. WALLACE. Undoubtedly there are a number of industries where it can't be done. The automobile industry is in a stronger position than most industries in that respect, during the next 2 or 3 years.

The CHAIRMAN. But wouldn't that be a bad situation, if we allowed wages to get out of line in one industry without raising them all along? You would create a lot of dissatisfaction among the employees.

Mr. WALLACE. As a matter of fact, the wages in the automobile industry right straight through the war have been among the highest

wages of all. I don't see, however, that this discussion has anything to do with the bill.

Mr. HOFFMAN. Well, it has something to do with unemployment. I am sorry I don't make myself more clear. I am sure I wouldn't ask questions—I am not here for entertainment or amusement, or to badger you. I am trying to get some information, and I can only ask the questions which seem to me to be of some assistance in arriving at the answer to whether this bill will keep or hinder.

Mr. WALLACE. I have here a figure for the automobile companies, for the years 1936 to 1939, inclusive, of \$305,000,000 profit, before income taxes, and for 1944, of \$864,000,000 before income taxes.

Mr. HOFFMAN. And how much went to taxes, and how much went to stockholders? That is in there, too, I think.

Mr. WALLACE. After taxes for the 4-year prewar period, \$247,000,000; for 1944, \$296,000,000, an increase of 19 percent, for the automobile and equipment companies; that is 47 companies. I haven't the figures as to dividends.

Mr. HOFFMAN. You don't have the figures as to how many stockholders and what the stockholders got, and what the workers got?

Mr. WALLACE. I don't happen to have those figures.

Mr. HOFFMAN. Here is something in the oil industry; it happens to be from California. It was published in a local paper in California. It says: "Who gets the money Union Oil makes?" And it starts right off:

1. Arithmetic sometimes makes more sense than headlines. The following figures are a matter of public record—checked and verified by Uncle Sam's tax men. If you have 2 minutes to spare we think you'll find them rather interesting.

2. Last year Union Oil Co. took in 127½ million dollars in round figures. This was from all sales of its products and services; \$91,000,000 of this was promptly paid out for things—rent, materials, transportation, equipment, depreciation, interest, and taxes.

3. This left 36½ million dollars to be divided among people—the employees and the owners. Of this sum, 27½ million dollars went to the employees in wages, salaries, and employee benefits; 4¾ million went to the owners in dividends; 4¼ million was left in the business.

4. In other words, the employees got 75 percent of what money there was to distribute, the owners 13 percent, and the business 12 percent. This doesn't mean that the owners got 13 percent on their investment. They got 13 percent of the dollars left over after the company's expenses were met.

5. On the capital invested in the company the owners received just 3.2 percent in dividends. For that 3.2 percent they have financed all the oil wells, service stations, equipment, etc., with which the employees work—\$43,525 worth of tools for each employee.

Let me interject there. Of course that included the buildings and everything.

6. It also happens that the 4¾ million was divided among 32,000 Union Oil stockholders, whereas the 27½ million was divided among less than 9,000 employees. Consequently, the employees got an average of \$3,108 apiece—\$259 a month.

That is the break-down of one company. I just picked it out of a local paper, and it will be interesting to know something about General Motor's figures, and Steel, because there is where the larger number of employees are demanding this 30 percent.

Mr. WALLACE. I don't think that has anything to do with this legislation.

Mr. HOFFMAN. You don't?

Mr. WALLACE. No.

Mr. HOFFMAN. Well, it is going to have a whole lot to do with the number unemployed, if these demands are not compromised, if these employees go on strike.

Mr. WALLACE. As I understood you earlier, you favored the idea of a man getting paid according to his productivity.

Mr. HOFFMAN. According to what?

Mr. WALLACE. According to his productivity. I think you quoted with approval a statement by Henry Ford 2d, that \$50 an hour was not too much if a man earned it, and 5 cents an hour was too much if he didn't earn it.

Mr. HOFFMAN. Get me right. First, I think we have to take care of the unfortunate and those unable to take care of themselves, whether they earn a nickel or whether they don't. Then I believe that every man who wants a job ought to be willing, if the Government has to force somebody to provide that job, to return equal value in work, if he can. I have no objection to your getting a million dollars a year if you can devise some way to earn it. Does that make it clear?

Mr. WALLACE. It does happen, of course, that workers in the automobile and the petroleum industries have been able to be very productive, for one reason and another. They have become very successful.

Mr. HOFFMAN. Well, they have had improvements in machinery. And the war worker's came out of borrowed money which the citizen must repay.

Mr. WALLACE. And the companies have been very efficient. I notice that the petroleum refining companies in 1944 had profits of a little over \$1,000,000,000, before taxes, as compared with about a half a billion during the prewar period. After taxes they had an income of \$704,000,000, as compared with \$430,000,000 before the war.

Mr. HOFFMAN. All of which, Mr. Secretary, proves what?

Mr. WALLACE. It proves that they were getting along pretty well.

Mr. HOFFMAN. But it doesn't prove anything for subsequent years, does it?

Mr. WALLACE. Not necessarily. In the case of the automobile. I would expect, however, in both the automobile industry and the petroleum industry, which is allied to it in some degree, that the situation would be very good during the 2 or 3 years immediately ahead. There is adequate reason for believing that, as I think you will recognize.

Mr. HOFFMAN. The bulk of the jobs are provided by private employers, are they not?

Mr. WALLACE. Yes, definitely; although ultimately it gets back to the part the Government took in providing good roads.

Mr. HOFFMAN. Oh, yes; but we can't all live on the Federal Government.

Mr. WALLACE. No; but let me read what I have in this book: "An ounce of Federal participation often produces a pound of private initiative." That is what the Government is for, and that is what the Government did by providing good roads.

Mr. HOFFMAN. And, of necessity, when the Government commences to provide jobs, if it keeps on, the Government has to control and regulate them, doesn't it?

Mr. WALLACE. No.

Mr. HOFFMAN. You mean that all the Government has to do is to plan and turn the money over to the private contractors?

Mr. WALLACE. No. I say that when the Government began to build good roads, that served to stimulate a good volume later on.

Mr. HOFFMAN. But when the Government builds good roads, it prescribes the terms of that contract, doesn't it?

Mr. WALLACE. So far as the building of the roads are concerned, but it doesn't prescribe the way Henry Ford or General Motors shall make their automobiles.

Mr. HOFFMAN. But it does prescribe the wages to be paid to the men that build the road, and it prescribes fair employment standards.

Mr. WALLACE. Necessarily. The Government wants to be a fair employer, and it wants to get value for the money spent for labor.

Mr. HOFFMAN. You endorse this statement of Mr. LaFollette, don't you? If you don't, you can correct me. It appears on page 15 of his bill:

and any other labor practices under which no person shall be denied the right to work at any job which he or she is qualified to perform, by reason of his or her skill, or to hold by reason of his or her character habits, because of his or her race, creed, color, national origin, or ancestry.

You endorse that?

Mr. WALLACE. No. I said to Congressman LaFollette, that while I was in sympathy with his objective, I felt the inclusion of that provision in this bill would interfere with the passage of the bill. Therefore, as a matter of expediency, I thought he should leave it out of the bill.

Mr. HOFFMAN. But you believe in that as a general proposition?

Mr. WALLACE. I do.

Mr. HOFFMAN. Then is there any reason why we should not also say, "or because of his race, creed, color, national origin, or ancestry, or membership or nonmembership in any labor or fraternal organization"?

Mr. WALLACE. I agree with Mr. LaFollette's answer to you with regard to that particular matter.

Mr. HOFFMAN. What was that?

Mr. WALLACE. Don't you remember Congressman LaFollette's answer to you?

Mr. HOFFMAN. Yes; 'but I would rather have yours.

Mr. WALLACE. Your memory is so excellent I would rather trust yours.

Mr. HOFFMAN. I know, but I don't care anything about LaFollette's answer. I want yours.

Mr. WALLACE. I agree with Congressman LaFollette's answer.

Mr. HOFFMAN. What was his answer?

Mr. WALLACE. That it has no part and should not be added at this particular point.

Mr. HOFFMAN. Then you get into the position, Mr. Secretary, where you advocate, if necessary, the expenditure of public funds to create public jobs, but you exclude from participation in those jobs those who are not members of a union. That is the way it boils down.

Mr. WALLACE. No; I don't think so.

Mr. HOFFMAN. It certainly does, because under the Fair Standards Act, and the NLRA, when these contracts are let, and the union bargains collectively, by the joint action of the union and the contractor, a nonunion man is not eligible for a job.

Mr. WALLACE. Let it be known that I am unqualifiedly for collective bargaining. It seems to me that that provision is definitely designed to undermine the principles of collective bargaining.

Mr. HOFFMAN. You are for collective bargaining. I take it that if under the collective-bargaining contract as finally agreed upon, it provides that no man excepting a union man can have that job; you are for it?

Mr. WALLACE. It may be unfortunate in certain cases——

Mr. HOFFMAN. That is what you are for, is it?

Mr. WALLACE. I am for the principle of collective bargaining.

Mr. HOFFMAN. I know; but let us be absolutely frank. You might as well be. Why not have it in words instead of by inference? I will be frank with you first; I can see no reason why a man should be deprived of a Government-made job because he does or does not belong to a union, and I would like to know if you can see any reason, and what that reason is.

Mr. WALLACE. Well, it is a matter of Government practice that Government public projects are carried out by private contractors. It is up to the private contractor to make his own arrangements with labor. In certain areas he may be able to hire labor that is not unionized. Generally speaking, he will be under the necessity of hiring labor that is in the unions. But it is up to the private contractor, and I don't think we should deal with that matter in this particular bill. That matter should be dealt with elsewhere in Congress. If Congress wants to undermine collective bargaining in some way, it should be dealt with elsewhere in the Congress, but it shouldn't go into this particular bill.

Mr. HOFFMAN. Well, then, half the money to create these public jobs to take care of the unemployed, if that situation should ever arise, where Government furnishes those jobs, will come from non-union taxpayers. There isn't any question about that. I would like to know on what theory, legal or moral, you can justify excluding nonunion men from a job that his money has helped create.

Mr. WALLACE. Let us put it this way: I do think it is highly important for the unions to consider more than they have hitherto the situation in which nonunionized labor finds itself. I am in agreement more than you might suspect with a certain part of the point you are making, but I don't think we should try to tear down the unions in order to attain what you have in mind.

Mr. HOFFMAN. I have no purpose to tear down the unions. I think the union is absolutely necessary. The average industrial worker would be just like a leaf blown by the fall winds if he didn't have a union. But as long as you have unions which can exclude Tom, Dick, and Harry from their ranks, as they can, I cannot see how you can justify the proposition that a nonunion man's money can be taken from him by law and used to create a job and then he be denied employment on that job.

Mr. WALLACE. I think you have a point there that deserves careful investigation, but not in connection with this bill.

Mr. HOFFMAN. Then, under your theory, this bill should read that it is a full employment bill for union men?

Mr. WALLACE. No.

Mr. HOFFMAN. But you would exclude from its benefits——

Mr. WALLACE. I wouldn't bring it up at all under this bill.

Mr. HOFFMAN. You would just ignore it?

Mr. WALLACE. I would just ignore it.

Mr. HOFFMAN. But, bless your heart, the practice goes on, and the nonunion man may have as many children, he may be just as hungry as the union man, don't you see?

Mr. WALLACE. I agree with you fully on that.

Mr. HOFFMAN. I just can't subscribe to the philosophy which takes any segment of our population out from under the benefits created by their tax dollar. To me, when we adopt that philosophy, then what becomes of the Constitution?

Mr. WALLACE. I don't agree that the effect of the bill is to do that which you fear.

Mr. HOFFMAN. What?

Mr. WALLACE. I don't think the effects of the bill will do what you fear.

Mr. HOFFMAN. It is not what I fear, but what I know the practice to be, and you do, too, Mr. Secretary, if you have read any of the Labor Board hearings, or the court decisions, or if you have followed Government orders, where the employees have been told where the Government was buying the product that they must pay their back dues and keep their dues paid up, or get off the job. The Government issued that order more than once.

Mr. WALLACE. Insofar as full employment results from this bill, everyone will benefit. If there is full employment in those segments where union organization is quite prevalent, as the manufacturing industries, the railroads that carry the manufactures, the effect is to increase the employment of those in the service industries where unionism is not prevalent. Don't think the effect of the bill is to discriminate against nonunion men in the manner you describe.

Mr. HOFFMAN. I want to thank you, Mr. Secretary, very much.

Mr. WALLACE. Thank you for your consideration.

Mr. ERVIN. Mr. Secretary, we have always had internal improvements, such as highways, airports, flood control, and things of that sort; haven't we?

Mr. WALLACE. Going back to 1825.

Mr. ERVIN. And we will probably continue to have them; won't we?

Mr. WALLACE. Undoubtedly.

Mr. ERVIN. And the President, under the law as it exists, can make recommendations on those matters without the pending bill; can he not?

Mr. WALLACE. Yes.

Mr. ERVIN. And has done it on many occasions?

Mr. WALLACE. That is right.

Mr. ERVIN. And Congress, of its own motion, in order to provide employment and for the purpose of promoting new business enterprise, has, of its own motion, enacted a multitude of measures of that sort?

Mr. WALLACE. Correct.

Mr. ERVIN. And undoubtedly will continue to do so.

Mr. WALLACE. Undoubtedly.

Mr. ERVIN. On the question of loans, every bank in the country is flooded with money right now, practically.

Mr. WALLACE. Deposits are the largest in history.

Mr. ERVIN. And if somebody in private enterprise wants to borrow some money to go into a sound business venture, they can get that money from existing banks, ordinarily; can't they?

Mr. WALLACE. You get varying testimony on that.

Mr. ERVIN. If it is a sound business enterprise they can surely get the money?

Mr. WALLACE. There seem to be so many different definitions of a sound business enterprise.

Mr. ERVIN. I agree with you on that.

Mr. WALLACE. I find there are many small businessmen who have sufficient insight into a particular technology to feel that their particular project is sound, but the banker, not having that familiarity with the technology, feels the enterprise is not sound, and, therefore, that particular small businessman is unable to get a loan. That does happen.

Mr. ERVIN. But isn't it also true he doesn't have to go to the bank, frequently, to organize a new business; there is so much money floating around he can raise it from stockholders or subscribers?

Mr. WALLACE. Or he can borrow from the Smaller War Plants Corporation.

Mr. ERVIN. We now have a great many Government agencies that loan money for small private enterprises; don't we?

Mr. WALLACE. Yes.

Mr. ERVIN. So that could be done without this bill; couldn't it? Money could be obtained from other sources.

Mr. WALLACE. Yes; that could be done. I hope you are directing this to a point.

Mr. ERVIN. I am trying to. The one thing that disturbs me about this particular proposal is this: If the Government is going to loan money for new enterprise, of course that new enterprise, in most cases, would compete with existing enterprise; would it not?

Mr. WALLACE. Not necessarily.

Mr. ERVIN. Not necessarily, but in a lot of cases they would?

Mr. WALLACE. Yes; I assume they would to a very considerable measure.

Mr. ERVIN. And that might be a healthy thing?

Mr. WALLACE. It might be a healthy thing in a free-enterprise system.

Mr. ERVIN. And in some cases it might be unhealthy; might it not?

Mr. WALLACE. In a few cases it might be unhealthy.

Mr. ERVIN. I want to consider those unhealthy cases for a moment. Suppose the Government loaned a million dollars to a company to set up a manufacturing plant, and the corporation, or partnership, or individual, lost money continually in that manufacturing plant, and was unable to pay off the Government loan. Then the Government would be faced with the necessity either of foreclosing on that property and having it sold at a loss or buying it in and operating it; isn't that true?

Mr. WALLACE. Yes; under the RFC.

Mr. ERVIN. Which would be the wise course to pursue in that case, to sell it at a loss?

Mr. WALLACE. I have no question as to the method that would be followed in most cases by the RFC.

Mr. ERVIN. Sell it at a loss, or at whatever it would bring?

Mr. WALLACE. I think that would be the method that would be followed in most cases by the RFC.

Mr. ERVIN. I am also thinking of those cases where maybe they were able to operate and pay off the loan and great surplus is created. What is to be done with this surplus?

Mr. WALLACE. Well, that would be handled, under our free enterprise system, in the normal way.

Mr. ERVIN. A large surplus of a particular commodity would break the market, would it not? The retail market?

Mr. WALLACE. It might tend to reduce the price to the consumer.

Mr. ERVIN. It would reduce the retail price.

Mr. WALLACE. Rather, it would reduce the wholesale price. Whether it would reduce the retail price or not, I am not sure.

Mr. ERVIN. There is some danger in having a surplus of goods in a given industry, is there not?

Mr. WALLACE. If there is unemployment, there is very serious danger.

Mr. ERVIN. I mean, even with full employment, there is danger in having a surplus.

Mr. ERVIN. There are a great many cases where there have been surpluses.

Mr. WALLACE. Especially in agriculture.

Mr. ERVIN. It has been suggested that these surpluses should be sold abroad at a loss, sold on a continuing lend-lease basis. Would that be a wise thing, under the circumstances?

Mr. WALLACE. I think it would be a wise thing only for a relatively short period. If it were continued, it would be a type of economic warfare that other countries would greatly resent and would take action against. I would assume it would be the kind of thing that would be prohibited sooner or later by international agreement under the United Nations Organization.

Mr. ERVIN. Well, I wouldn't want to dump those surpluses in the sea, would you?

Mr. WALLACE. During the immediate period, when the needs abroad are very great, it is quite possible the foreign countries would welcome our sending surpluses abroad at low prices. Eventually, I am sure there would be great resentment caused.

Mr. ERVIN. We wouldn't want to dump it into the sea or burn it up.

Mr. WALLACE. That would be an economic loss.

Mr. ERVIN. Haven't you seen industries get sick because of overproduction?

Mr. WALLACE. That has been true in certain branches of agriculture.

Mr. ERVIN. And other industries, too.

Mr. WALLACE. The other industries prefer to handle a situation of that sort by holding up their prices and employing fewer workers.

Mr. ERVIN. The thing that disturbs me is, I don't want to try to cure one sickness and bring about another, which I think might happen unless this was handled with great care.

Mr. WALLACE. The people of the United States, historically, have been a little more afraid of abundance than is necessary. But I am quite willing to agree that in particular years, where surpluses have

existed, rather extreme measures have been taken to handle that situation.

Mr. ERVIN. Mr. Secretary, the purpose of my examination today is to point out certain pitfalls we must always try to avoid. I am sure you want to try to avoid those pitfalls.

Mr. WALLACE. Undoubtedly.

The CHAIRMAN. Are there any further questions?

Mr. JUDD. I would like to ask one more question along the line of the questions of the gentleman from Michigan. There are men in this country, and a lot of them, who have conscientious objections, whether justified or not, against joining the closed-shop type of union, or even any kind of union. Now, suppose those men are unemployed, would the Government, under this bill, be under obligation to set up a separate program of investment and expenditure to insure those persons full employment?

Mr. WALLACE. No; I don't think that comes into this bill at all. It has nothing to do with it.

Mr. JUDD. How would they get full employment, then, under a Government program of investment and expenditure to supplement investment and expenditure?

Mr. WALLACE. Mr. Congressman, here is the correct slant on this bill. This bill is not a fair labor practices bill; it is not a bill designed to solve the problem of management-labor relationships. It has nothing to do with that.

Mr. JUDD. But its job is to provide employment for the people who want and can't get employment.

Mr. WALLACE. Its job is to promote such sound policies, especially fiscal, taxation, tariff, public works, and the like, as will result in job opportunities. It doesn't undertake to settle management-labor relations.

Mr. JUDD. I don't mean that, but I am just seeing how far this obligation carries. If, under the discussion you and the gentleman from Michigan had, it worked out so that the men in the unions had jobs, but there were a lot of men who were not in the unions who did not have jobs, and the thing did not work out to give them jobs, would the Government then have a special obligation to provide some sort of additional program in which they could get work?

Mr. WALLACE. That is not handled by this committee. That is a problem that is properly handled by the committee that deals with management-labor relations.

Mr. JUDD. But this bill has an obligation to see that all our citizens have job opportunities.

Mr. WALLACE. To create that kind of climate where all our citizens should be able to get jobs. If you will look at my book, *Sixty Million Jobs*, you will find that the best part of the 60,000,000 jobs are not unionized at all.

Mr. JUDD. That is right.

Mr. WALLACE. Probably of the 60,000,000 set forth there, 47,000,000, roughly, would be nonunion.

Mr. JUDD. And there probably would be some unemployment among that 47,000,000 people.

Mr. WALLACE. But it does happen that the 13,000,000 are for the most part located in the generating parts of the industrial system.

Mr. JUDD. But wouldn't we be under obligation in carrying out the provisions of this bill—the President and the joint committee, and all the rest of us—to make plans to take care of the unemployed among the 13,000,000 who are unionized, and also the unemployed among the 47,000,000 who are not unionized? Wouldn't it require, in a sense, two sets of programs? I am just asking.

Mr. WALLACE. No; I don't think so. The bill is designed merely to furnish such a volume of investment and expenditure as to generate employment for all. It doesn't undertake to go into the details of the kind you mention. I am quite willing to admit that the problems of the type you mention might well be considered by Congress every year, in appropriate committees.

Mr. JUDD. But when it takes up its national program in line with the recommendations of the President's National Budget—

Mr. WALLACE. I don't think that problem enters into it.

Mr. JUDD. I hope it won't, but I just wanted whatever advice you might have, in case it might develop.

Mr. WALLACE. I don't think it need develop, unless it is forcibly thrown in.

Mr. JUDD. Here is another question I am interested in, and I am moved to ask it because of your statement that you would be agreeable to calling the bill a full production and full employment bill. In the Senate version they put in an act to establish a national policy and program for insuring full employment and full production. I suppose the first job in history came because some man wanted to produce more than he could produce with his own hands, and he hired a fellow to help him produce more. Right?

Mr. WALLACE. I am not familiar with the first job. He may have been a slave; I don't know.

Mr. JUDD. Well, we are not talking about slave jobs. We are talking about the man who worked for another for a wage. The man A hired man B, didn't he, originally, only because A wanted to produce more than he himself could produce, and he wanted B to help him produce. Production was the primary purpose; isn't that right?

Mr. WALLACE. Possibly man A had a son—

Mr. JUDD. But his sons were not enough. He had an opportunity to sell still more, and he wanted to produce more. So he created a job, and the primary objective of that job was production, and the job was a means to that end; is that right?

Mr. WALLACE. In a simple society, man is directly interested in production.

Mr. JUDD. In this bill we are saying that the primary objective is employment, and production is a means of creating more employment.

Mr. WALLACE. I would place them on a par.

Mr. JUDD. You wouldn't put production first, and employment second, or employment first, and production second?

Mr. WALLACE. I would have them going as a team.

Mr. JUDD. I think they are interrelated; no question about that, but I just wondered, when you said this afternoon that our first and foremost objective should be full employment—if you don't think that is a reversal of society as we have always known it, and, if so, do you think it is a desirable reversal? I am just speculating.

Mr. WALLACE. At any time I am quite willing to link the two terms together. I would have them merged together inseparably. As I

stated to Congressman Hoffman, I wholeheartedly believe in these practices on the part of labor which have resulted in maximum production. I would say also, these practices on the part of industry, as well.

Mr. JUDD. Certainly, and I quite agree with you. Now, one more question. Yesterday I read in the paper that some of the opposition to the consolidation of the Army and the Navy into one department of defense was on the basis that no one man could possibly grasp all that was involved in the managing Army and the Navy, and the Air Force; therefore, they should not be combined. And yet here you are saying that because our society has become so complex and our economy so complicated and so closely tied to economic and fiscal conditions in the rest of the world and because the Federal Government will constitute an affect such a large part of our economy, therefore we cannot just go along and take a chance on another collapse. So your solution is to create a centralized set-up, headed by one man, that will be able to grasp and manage this very complicated thing. Now if no one man can grasp what is involved in our national defense, is it likely that one man is going to be able to grasp all this very large and complex economic problem of which you speak?

Mr. WALLACE. The bill does not set up one man who is supposed to know everything. The bill does provide for the President submitting the national budget.

Mr. JUDD. But an awful lot depends upon the wisdom of the budget. The President is the man who in the last analysis has to be the one who decides between what will probably be conflicting views. Isn't that true?

Mr. WALLACE. Yes; and his advisors would, of course, pass on the conflicting views.

Mr. JUDD. What I am getting at—

Mr. WALLACE. As I have observed how these matters come to the President's attention, it is not a matter of profound wisdom on the part of an yone man. It is a matter of very careful consideration by many groups of men. Eventually, of course, it is passed on by this joint committee.

Mr. JUDD. What I am getting at is, some people believe that the more complicated society is the more we have to decentralize it, the less wise it is to concentrate it in a few hands.

Mr. WALLACE. The whole situation is a whole lot like it is with the human body. There are a great many things that are best decentralized, but there are certain points where the Federal Government must operate it in a unified sense. I don't say it is a matter of one man; it is a matter of one man who has the duty of passing on the judgment of many men in the executive branch of the Government, and then it goes to Congress, where again it is passed upon by some 30 men from the appropriate committees, as Congressman Rich described earlier this afternoon; and finally debated by the whole membership.

Mr. JUDD. Do you or do you not believe that there comes a place in the enlargement and expansion of business where its very bigness militates against its efficiency, rather than promotes its efficiency, because of inability to grasp it all?

Mr. WALLACE. Yes; that happens continually in business.

Mr. JUDD. But you don't think it happens in government?

Mr. WALLACE. There is danger of it happening in government, but we do have a big government, and we have to do the best we can with it. I think this bill provides a method for doing the best we can with it.

Mr. JUDD. Do you think there is any merit in the contention of some that it is too big to do a good job, rather than not big enough to do the job?

Mr. WALLACE. You mean you are advocating splitting the Government?

Mr. JUDD. No; but I believe it has taken over too many functions, taken over and concentrated in Washington so many functions that it is unable to regulate wisely so many things. It has to lay down certain rules and then restrain those who break them, but at the same time, I believe that those rules and regulations should be more or less self-operating as possible.

Mr. WALLACE. I appreciate your longing for decentralization. It is inherent in my very being. But as long as you are in the shadow of a great war, and as long as we have such pressing international problems, it is going to be difficult to attain that objective at any time during your lifetime or my lifetime.

Mr. JUDD. But this bill is legislation in perpetuity. We are setting up legislation, not for 10 years, with an expiration date; this is to be the practice until Congress—

Mr. WALLACE. A future Congress could change it whenever it wants to.

Mr. JUDD. But we are setting up a general plan, not as an emergency, but as a long-term procedure, which certainly draws into Washington greater control than has ever been there at least in peacetime.

Mr. WALLACE. It is quite possible under this bill eventually to bring about greater decentralization. But undoubtedly the powers which the Federal Government now has, and which it has had for many decades, should be exercised in such a way as to balance out constructively, instead of to be self-defeating. I saw after World War I how those powers were exercised to be self-defeating. I am sure many others saw how that came to pass. We want to avoid doing that same kind of thing over again. We need to insure that the Federal Government, both in the executive and legislative branches, continually examines the situation from the over-all point of view. The bill requires that. I think it is important that we have something of that sort if we are to avoid the same kind of thing we had after World War I.

Mr. JUDD. Sure I agree that decentralization is possible under this bill. But it just isn't humanly likely, is it, that people will lay down powers they are granted?

Mr. WALLACE. I don't think it depends so much on that as it does on the fact that for quite a while we will be in the shadow of the war, which means the problems will tend to be international in scope in their postwar effects.

Mr. JUDD. I wish more people would agree with the sentiment of the wise Chinese who said that "If I die as a dictator my name will be hated in every Chinese home; but if I succeed, before I die, I succeed in returning power to the people, I will be remembered in every Chinese home with gratitude." And he said that at a time when he had great power concentrated in himself.

Mr. WALLACE. Who said that?

Mr. JUDD. Chiang Kai-shek.

Mr. HOFFMAN. Do you, wholeheartedly and without reservation, endorse this bill that has in it the language on page 2, line 3:

All Americans able to work and seeking work have the right to useful, remunerative, regular employment?

Mr. WALLACE. Yes; I endorse the bill. You may remember, Mr. Congressman, that in response to the questions of Congressman Church, I indicated that it might perhaps be desirable to put in certain exceptions with regard to regular full-time employment.

Mr. HOFFMAN. I am not quarreling with the definition of the words "useful, remunerative, regular or full time," I am just drawing attention to the "All Americans have a right to employment." That is all.

Mr. WALLACE. Of course, the—

Mr. HOFFMAN. "All Americans have a right to employment." Do you endorse that?

Mr. WALLACE. I think they do.

Mr. HOFFMAN. Then that wouldn't exclude any man from a Federal job created under this, because he didn't belong to a union, would it? I just want to know whether or not in your opinion it is a bill to relieve all who are unemployed, or just the union unemployed.

Mr. WALLACE. I have been over this a great many times, Mr. Congressman. The point which troubles you I don't believe belongs in this bill. I don't think it should be considered in this particular bill.

Mr. HOFFMAN. Then, Mr. Secretary, you do not approve of that language, "All Americans have a right to an opportunity for employment," do you?

Mr. WALLACE. Yes; I do.

Mr. HOFFMAN. Then you wouldn't deprive a nonunion man of a job created by the Federal Government.

Mr. WALLACE. No; I wouldn't want to see a nonunion man deprived of a job.

Mr. HOFFMAN. And you think that no construction could be placed on this bill that would deprive a nonunion man of participation in a Federal-works program?

Mr. WALLACE. I don't think that belongs—

Mr. HOFFMAN. Why don't you answer that right off? You do or you don't. You come here and endorse a bill which, on its face, says that all Americans have the right to jobs. Now, if you don't believe it, that is all right with me.

Mr. WALLACE. I do believe it.

Mr. HOFFMAN. All right, then. Then you don't believe that a man should be deprived of a job created by the Federal Government, and with tax money, just because he don't belong to a union; is that right?

Mr. WALLACE. I think—

Mr. HOFFMAN. I want to say that for a man with your experience, who has been so successful in the corn-breeding business, and in the Agricultural Department, and who has pleased so many farmers, I can't see why you should have so much difficulty with that little, simple question.

Mr. WALLACE. Your question is very complex.

Mr. HOFFMAN. Complex as to whether an American should have

the right to an opportunity for employment? I imagine there would be about 30 words in that question.

Mr. WALLACE. I feel, Mr. Congressman, that the amendment which you evidently will propose has no place in this bill.

Mr. HOFFMAN. That is the LaFollette amendment. You are familiar with the practices of some employers who, prior to 1935, required employees, if they belonged to unions, to resign and all applicants for jobs to sign a contract that they would not become a member of a union. The name they gave it was the "yellow dog" contract. Congress, in 1935, you recall, outlawed it. You remember that?

Mr. WALLACE. Yes.

Mr. HOFFMAN. Now the unions, in practice, have established another contract or situation, wherein, in order to work in many industries, a man must sign on the dotted line and be a union man.

Mr. WALLACE. This bill does not—

Mr. HOFFMAN. Never mind this bill. If this is a bill for employment at all, I want to take care of the nonunion man as well as the union man. Don't you?

Mr. WALLACE. Yes; I definitely do.

Mr. HOFFMAN. Then why don't you say that, as you understand this bill, it doesn't exclude from a Federal job, under any collective-bargaining contract, the nonunion man? If it was wicked, and I think it was, for the employer to make and enforce that "yellow dog" contract, isn't it just as reprehensible for any group to say to a man over here in the corner, as they sometimes do, "Unless you join the union, you can't get a job?"

Mr. WALLACE. It seems to me an important thing not to run afoul of other Federal legislation in the amendment you propose.

Mr. HOFFMAN. I don't propose any amendment.

Mr. WALLACE. It seems to me you have some amendment in mind to handle the situation which is disturbing you.

Mr. HOFFMAN. No; I haven't a single amendment in mind.

Mr. WALLACE. I might add, you can work out an amendment to handle the situation; but, as I view it, this bill does not undertake to go into the question of whether a man is union or nonunion.

Mr. HOFFMAN. No; this bill is so much legislation that just attempts to avoid the issue, rather than attempt to meet it head-on and declare, as we should have in the Wagner Act, that a man should have the right to join a union and he should have the right not to join.

You will agree with this—that the higher-paid jobs are in the industrial area.

Mr. WALLACE. Definitely.

Mr. HOFFMAN. Beyond question; and they are practically all unionized, those industries, are they not?

Mr. WALLACE. Yes.

Mr. HOFFMAN. So that the higher-type, better-paid jobs now are in the hands of the unions.

Mr. WALLACE. That is true.

Mr. HOFFMAN. So that we are trying to take care of the unfortunate fellow who maybe has a low-priced job, or who can't find work; and yet, under your theory of it, we shouldn't consider at all giving him a job.

Mr. WALLACE. I don't agree with you that this bill as drawn discriminates in any way against the nonunion man.

Mr. HOFFMAN. On its face, it doesn't. On its face, it says "all"; but you know very well when you turn over to that fair standards and the NLRB, and all that, and go into these industrial jobs, that, as a matter of practice, that man either belongs to a union and keeps his dues paid up or he doesn't hold his job.

Mr. WALLACE. That doesn't flow from this bill.

Mr. HOFFMAN. It flows from the failure in this bill and the failure in other legislation to prevent the creation of a monopoly of labor; and if I was an employer, and without heart and unscrupulous, I would be glad to have a union have a corrupt boss so that he would sell me his slave labor right across the table when I slipped him something. That is my point. That is what might happen. It may be what has happened on some cases. That is all.

The CHAIRMAN. Mr. Secretary, I know you have had full employment today, and we will take a recess. Thank you very much.

Mr. WALLACE. I appreciate the splendid hearing all of you have given us.

(Whereupon, at 6:20 p. m., the committee recessed until 10 a. m. tomorrow, Wednesday, October 31, 1945.)

FULL EMPLOYMENT ACT OF 1945

WEDNESDAY, OCTOBER 31, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS,
Washington, D. C.

The committee met at 10 a. m., the Hon. Carter Manasco (chairman) presiding.

The CHAIRMAN. The committee will come to order. We have this morning the Honorable Fred Vinson, Secretary of the Treasury.

Mr. Vinson you may proceed.

Secretary VINSON. Thank you, Mr. Chairman.

STATEMENT OF HON. FRED VINSON, SECRETARY OF THE TREASURY

The war has taught us many things about our economy.

It showed that when the people of the United States set their minds on doing a big job, that job will be done, and the whole resources of this great country will be mobilized for its accomplishment. Winning the war was, obviously, all-important. So we did our best to call into service every human and material resource which the country had at its command and put it to use either directly for the war effort or for the maintenance of the civilian economy.

The war also revealed the tremendous productivity inherent in our economy. Our gross national product increased from \$89,000,000,000 in 1939 to \$199,000,000,000 in 1944. Some of this, of course, represented an increase in prices; but the product of the country, expressed in real terms, increased by about 75 percent.

We learned other important facts about our economy, too, in winning the war. We discovered that as a consequence of our all-out effort, unemployment disappeared. There were more employment opportunities than people seeking work. The job sought the man, rather than the man the job.

We discovered that as a result of the effective use of our resources during the wartime period, the real standard of living of the civilian population was higher in 1944 than it had been before the war, despite the fact that nearly one-half of our production was for war purposes.

The No. 1 problem which confronts the people of the United States here at home right now is how to apply the economic lessons of war to the peace. Now, at first glance, it might appear that there would be a hopeless disagreement in this country on how this can be done. But a more careful study will convince thoughtful men that there are important fundamentals upon which all can agree.

In fact, there are two fundamentals upon which the American people already are agreed. The first is that our economic problems must be solved within our system of free enterprise. The second is that the most important of these problems is to maintain full employment.

Mass unemployment is the source of most of our social and economic evils; it is the greatest menace to economic security in this country. We cannot periodically condemn 10,000,000 unemployed to bear this burden. We cannot declare these men and women industrial surplus and dispose of them in that way. That is not the American way of doing things.

I do not subscribe to the pessimistic view that unemployment is inevitable and that any effort to prevent it is a threat to free enterprise. Our people want to keep the economic system under which this country achieved leadership. They know it offers the best hope of continued economic progress and higher standards of living. They will never abandon this system so long as they can cherish this hope. The only threat to free enterprise in this country can come from mass unemployment. Our task is to remove this threat by meeting the problem.

And let me make this clear: Unemployment is not the fault of business. Businessmen do not want to stop production or to lay off men. They know that profits come from production. So long as they can find markets, they are prepared to employ labor and to produce goods. It is only when the demand falls off, when goods cannot be sold, that they close down or reduce their force. Give American business the markets, the demands for the output, and we will witness a new miracle of production that will surpass anything we have seen before. Unemployment is not the fault of business. On the contrary, business, like labor, is the victim of depression.

It is equally clear that unemployment is not the responsibility of business. When demand falls off, businessmen have no alternative; they must cut production. If they persist in producing goods for which there are no markets, they will incur losses that may force bankruptcy. In general, when businessmen produce efficiently, when they sell at fair prices, and when they pay good wages, they have done all they can do, and they are entitled to profits from production. Business cannot assume the responsibility on unemployment.

Now the fact is that somewhere there must be a responsibility on unemployment. There can be no vacuum, no void of responsibility, on the most important domestic problem confronting the American people. When we face the issue we must admit that all of us have a responsibility to see that our economic system works, to see that there are opportunities for jobs for men and women willing and able to work. This is a responsibility of all the people, and we must look to the Government, acting for all the people, to meet this responsibility.

There is nothing revolutionary in recognizing this responsibility. In every deep depression the Government has found it necessary to deal with unemployment. In 1921, during the crisis of that year, President Harding called the Conference on Unemployment which met under the chairmanship of Herbert Hoover. In 1931, in the midst of an even greater crisis, Congress passed the Employment

Stabilization Act, establishing a board composed of the Secretary of the Treasury, the Secretary of Commerce, the Secretary of Agriculture, and the Secretary of Labor. The whole experience of the 1930's is concrete evidence that the Government must deal with the problem and that it cannot abdicate this responsibility.

During depression we are conscious of the need for Government action, but as soon as we have prosperity we seem to forget it. In 1928, in the midst of the great boom, Senator Wesley Jones, of Washington, introduced a bill for a reserve of public works to be constructed during depression. The bill was killed, according to the Senate committee report on S. 380, because it was deemed unwise to mention depression before a Presidential campaign. That same year Senator Wagner introduced the employment-stabilization bill. It was a bill to provide for the advance planning and regulated construction of public works, for the stabilization of industry, and for aiding in the prevention of unemployment.

This bill, which could have been so helpful when the crash came in 1929, lay dormant for 3 vital years. It was only in the midst of the deepest depression of our history, when it was too late to take measures that might have prevented the catastrophe, that we realized what should have been done. When the bill was finally passed in 1931, it was in emasculated form.

The Employment Stabilization Act did not provide for a comprehensive program on unemployment. It was not concerned with many types of measures that can be taken to prevent a great depression. It dealt exclusively with the planning and timing of public works as a means of providing employment during depression. It was enacted during a great crisis when public works could do no more than alleviate the mass unemployment that already existed. This could be done under the act, and this was done as far as possible.

As a matter of fact, John Garner put through a bill in 1932 authorizing expenditure of \$2,200,000,000 for public works. This bill followed the principles established in the Employment Stabilization Act. The money was to be used only for the construction of public works previously approved by Congress or the Executive, except for \$70,000,000 for post offices in the smaller communities. The bill was vetoed by President Hoover. In 1933 Congress passed another bill authorizing 3.3 billion dollars for public works. The construction so authorized was undertaken through the PWA.

The Employment Stabilization Act never contemplated the submission of a national budget with recommendations to deal with prospective depressions. It only provided for plans to arrange the construction of public works in a manner which would assist in the stabilization of employment. The timing of public works is a useful part of a program for dealing with prospective unemployment. But by itself, it is entirely inadequate. Under any circumstances, it would not be possible to do anything now under this act, for these functions which had been consolidated with those of the National Resources Planning Board were abolished by Congress in 1943.

The full-employment bill is a logical development of the act of 1931. It recognizes the continuing responsibility of Government to see that there are enough job opportunities. It provides for a national budget that will show the amount of production necessary to

maintain full employment, and it requires estimates to be made of the prospective demand for this production. Such a national budget will be transmitted by the President to Congress each year and will be considered by a joint congressional committee which will report to the Senate and the House of Representatives its findings and recommendations with respect to the national budget.

This procedure seems to me the common-sense and dollarwise way to deal with the problem of unemployment—through prevention rather than through relief. The first step is to get the facts and place them before those who have the responsibility for dealing with the problem.

The argument has been made that if the national budget calls attention to a prospective deficiency or excess of demand, depression or prosperity will start at once. The evidence does not bear out this view. We don't get prosperity or depression merely by predicting it. If we could, we would never have had the crisis of 1929 to 1933. Businessmen were assured time and time again that prosperity was just around the corner. Businessmen act on the prospects for demand for their products from their customers. When demand falls off, they stop production. A national budget that recognizes a deficiency, in opportunities for employment and carries a recommendation for dealing with the problem can give increased confidence to businessmen to continue with their investment, their production, and their employment.

In spite of the oft-repeated statement that the Government cannot make accurate estimates of the type required by this bill, I want to go on record as stating that the Government is in a position to make reasonably good estimates. In dealing with the tax and savings program during the war we had to make estimates of prospective income and expenditure. From these estimates we developed a program to reduce and limit over-all expenditure to the available supply of consumer goods. Nobody claims that the statistical data we now have are perfect. They can and will be improved under this bill. Estimates of the national budget will be made after consultation with business on the basis of data provided by business.

I have seen some doubt cast as to the competence of the Government to prepare a national budget on the grounds that the Government has not done very well in estimating its expenditures and receipts. I should like to comment briefly on the receipts side of this criticism, since the estimate of receipts is a statutory responsibility of the Treasury Department. In the 6 years before the war, from 1935 to 1940, the average error between estimated and actual tax receipts averaged about 6 percent. In 4 of these 6 years, the error was 5 percent or less. Now, this is not a bad record, because it is more difficult to estimate tax receipts than it is to forecast business conditions. We estimate tax receipts by starting with an estimate of business conditions. An error of 6 percent in tax receipts is probably comparable to an error of 3 percent on national income.

It is the estimate of national income and its components that is significant for the purposes of the proposed national budget. An error of 3 percent would represent a difference of not more than 1,500,000 jobs from the number actually employed. In dealing with the problem of preventing mass unemployment, an error of 3 percent could not

impair the usefulness of the national budget. In practice, the real problem will be to see whether a deficiency in demand is developing in the construction, equipment, and durable goods industries which generally precedes a great depression. The national budget will be submitted annually; but quarterly reports will be made to Congress, taking account of changing conditions.

The National Budget will compel the attention of Congress and the executive departments to the problem of employment. But it would be a serious mistake to assume that the submission of a budget can of itself prevent mass unemployment. The responsibility of the Government does not end there. The important thing is to take the positive steps that will facilitate and encourage an expansion of consumption and private investment whenever this becomes necessary to prevent a great depression.

There is no reason for assuming that the remedy that will be recommended, when a deficiency in employment opportunities appears, will be Government spending. There will be times when changes in our tax policy will be needed to help maintain employment and production. There will be times when changes in credit policy will be needed. There may be times, of course, when, because of a decline in private construction, the proper remedy will be an expansion of public construction. We should be ready to proceed promptly with the construction of necessary and useful public works whenever there is a falling off in private construction.

This bill is not a spending bill. It does not authorize any expenditure. Whatever legislation may be recommended in the National Budget in connection with the maintenance of employment will go to Congress and will be subject to the same procedures as now. In fact, there will be the additional opportunity of having the joint congressional committee on the National Budget give to the Congress its report on the policies that should guide Congress in dealing with legislation relating to the National Budget.

In addition to the specific criticisms of the bill which I have discussed, there are certain broad objections offered by some—and apparently believed by many more. I call these objections the Union League Club objections, because they find their most enthusiastic supporters in the stuffy environs of the most exclusive clubs. But they deserve to be held up to critical and public analysis where their merits can be evaluated.

The most pervading of these Union League Club arguments is the defeatist attitude with respect to our economic system. Mr. William L. Kleitz, vice president of the Guaranty Trust Co. of New York City, for example, told the Senate Banking and Currency Committee that depressions are inevitable under the free-enterprise system. I should like to put myself on record as dissenting from the view that the free-enterprise system makes such periods of unemployment necessary for those least able to bear them. I have greater faith in the vigor of the free-enterprise system than that, and I know that you gentlemen have also.

It is a false dilemma which gives us the choice between full employment and a free society; and those who tell us that depressions are the price we pay for freedom are doing no favor to the cause of freedom. The system of private enterprise has enabled the United States to out-

produce every country in the world, and to win this most destructive of all wars with a minimum loss of American lives and a maximum reliance on the products of industry. I am sure that the system of free enterprise will also enable us to win the peace, if its friends will stop insisting that it must produce depressions to realize its natural destiny.

The second of these Union League Club arguments is that a full-employment policy is expensive and that relief is cheaper. For example, Mr. Rufus Tucker, the chief economist of the General Motors Corp., told the Senate Banking and Currency Committee that the taxpayers “* * * may”—he said only “may”—“have a moral obligation to keep any citizen from starvation * * *” but that this obligation can often be fulfilled more cheaply in other ways than by providing jobs. I am sure that you will agree with me that this is an exceedingly narrow view of the problem. Ignoring altogether its callous disregard of the feelings of the unemployed, it errs even on the side of expense, for it treats only the symptoms of unemployment and makes no attempt to effect a cure. It is like the view taken by a doctor who prescribed that a poor patient should wear a truss all through his life because the doctor feels that an operation would be unduly expensive or bothersome.

Lastly, some of the club intellectuals believe that a pool of unemployed helps to keep labor in its place, and is conducive to the profitable operation of the enterprises with which they are connected. Naturally, these persons seldom express their opinions for the record.

In addition to the three broad currents of opposition to the full employment bill which I have just mentioned, there are other persons whose opposition is based on the honest belief that the adoption of some policy or policies which they particularly advocate will result in the attainment of the objective of continuing full employment. To the extent that these people are right, there is room for the consideration and adoption of their policies within the broad framework of the full employment bill.

Finally, I want to emphasize again that this bill is in complete accord with our system of free enterprise. It does not authorize the Government to operate any plants or factories or productive facilities. It does not authorize the use of any compulsory measures in determining where people are to be employed. Every businessman remains free to run his business as he always has. The Government's sole function is to exercise the necessary foresight in dealing with prospective developments that affect employment and to take such measures as are authorized by law to prevent a deficiency or excess in demand. The whole spirit of this legislation is not to coerce industry but to provide an environment in which industry can realize its enormous potentialities for production and employment.

The full employment bill makes no assumption with respect to the general character of our economic problems at any particular time. The bill specifically provides that the National Budget shall make recommendations for the control of inflation whenever this shall be necessary as well as recommendations for achieving and maintaining full employment. There is nothing inflationary in this bill.

Some opponents of this bill have leveled most of their attack on an alleged promise to provide every man and woman with a job. This

bill does not do this. It merely recognizes the Government's responsibility to see that there are enough opportunities for productive work to employ all the men and women willing and able to work. The chance to earn a living is so fundamental a human right that it cannot be denied by quibbling or by the equivocal use of words. In a modern industrial society the opportunity to work is the very basis of the inalienable and God-given rights of life, liberty, and the pursuit of happiness.

There is no class or sectional interest in this bill. It is truly a national bill to promote the general welfare by protecting the national economy. Of course, it is in the interest of labor to have an adequate demand for our production so that there will be sufficient jobs for all men and women willing and able to work. But it is no less in the interest of agriculture and industry. The farmers of this country know that unemployment in American industry means low prices and the accumulation of surplus crops. They know that a sound postwar farm program must start with plenty of jobs and good wages in industry so that our workers can consume the foods and materials which our farmers can produce in abundance and businessmen know what depression means to them—reduced output, losses, and even failures. The maintenance of production and the profits of business depends upon an adequate demand for output. Such a demand requires the prevention of mass unemployment.

Some people seem to think we cannot afford full employment. There is a confusion of thought here. It is unemployment that we cannot afford. The unemployment of the 1930's cost us in lost income far more than the war; and this cost was not distributed among all the people on an equitable basis. It was concentrated in large part on the unemployed workers and the depressed farmers. We cannot afford another depression like that.

If we put our full resources to work we can increase our production of consumer goods by 50 percent above the 1940 level, and our production of capital goods, including construction, by more than 100 percent above the 1940 level. This chart, based on a Commerce Department study when Jesse Jones was Secretary, shows in more detail what full employment means to business. My own review of the facts, when I was Director of War Mobilization and Reconversion, has convinced me that we can and must increase consumption by 50 percent and expand construction and investment by 100 percent above prewar levels. We cannot let one-fourth of our resources go to waste. As Secretary of the Treasury, I say that it will be much harder to balance our budget and to service our national debt if we drift into another great depression.

There is no doubt in my mind that we can prevent mass unemployment if we decide to deal intelligently with this problem. I have said it before and I shall say it again:

Depressions, like wars, are not acts of God. Man makes them. If we make them, we can unmake them. We must create, in peace, a new prosperity and a greater opportunity for jobs than has existed before.

We shall not solve the problem of unemployment by ignoring it. We must not repeat the error of 1921 and 1931 of trying to deal with this problem when it is too late. This is a bill that should be enacted promptly. In my opinion, it is an urgent bill—not because we need

it to deal with mass unemployment now, but because we need it now to deal with the threat of depression when it does come.

I want to read one paragraph on this point:

When business again declines men will be laid off and the problem of unemployment may again become serious. It will then be too late for any measures except relief for the unemployed unless we now address ourselves to the task of preventing, or at least reducing, these extreme fluctuations of business activity. Prevention as contrasted with relief is possible only through foresight.

This is a statement as timely now as when it was made by the committee headed by Owen D. Young and appointed by Herbert Hoover as chairman of the President's Conference on Unemployment in 1921.

In my opinion, the full employment bill enables us, yes, requires us to deal with the problem of unemployment while there is still time, before it is too late.

I speak for the President of the United States when I tell you that he regards full-employment legislation as the basic framework upon which a large share of our efforts to solve the central problem of full production and full employment must rest. He is most anxious that the legislation be enacted at the earliest possible moment.

The CHAIRMAN. You are going to submit that chart for the record?

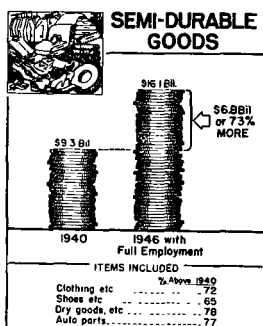
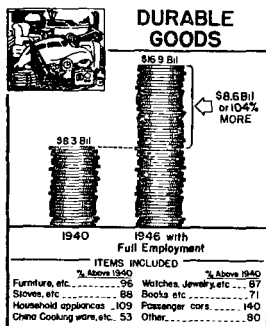
Secretary VINSON. Yes, Mr. Chairman.

(The chart referred to is as follows:)

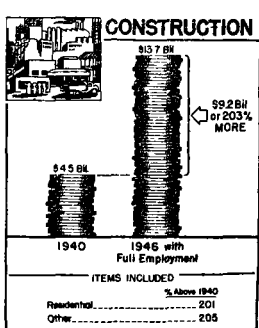
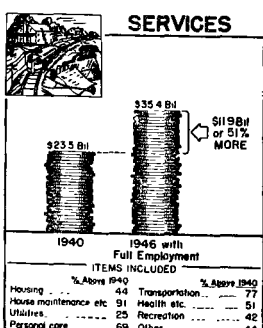
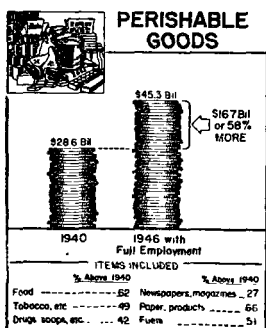
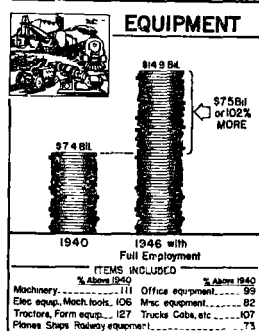
Full Employment Means More Business.....

A projection of expenditures by commodity groups based on past relationships to the gross national product*

• Consumers' Goods and Services



• Capital Goods



Source: "Markets After the War" — Committee for Economic Development

*The 1946 figures in this chart are based on assumptions (a) that the immediate reconversion period ends before 1946 (if not, it is not the case figures would be only slightly different for the later period immediately following reconversion); (b) that 96.5 percent of those seeking employment will have productive jobs; and (c) that prices will be the same as in 1942.

The CHAIRMAN. Mr. Secretary, with regard to the national budget, it is fair to state, in the preparation of that budget, the Budget Bureau and other agencies of the Government who are engaged in gathering the information that go into that budget would have to start some time in July or August of the year before it is transmitted to the Congress by the President? For instance, 1945, we will say, the budget estimate for the fiscal year 1947, the preparation of that budget would be started in July of this year and transmitted to the Congress in January of 1946 for the fiscal year beginning July 1, 1946. It takes quite a time to prepare these budgets.

Secretary VINSON. Yes, sir.

The CHAIRMAN. With any degree of accuracy.

Secretary VINSON. Yes, sir.

The CHAIRMAN. And if they were not accurate, and reliably accurate, they would be worthless. If this bill had been law in July of this year, had been enacted in June, it would have been the first of July next year before the operations under this bill, except as to the gathering of statistics and so forth, could have gone into effect?

Secretary VINSON. I don't know, Mr. Chairman, if it had been in effect in July of this year, that there would have been any public-works program recommended. I don't know what the committee or agency that sent it up would recommend. I don't know what the attitude of the President would have been. I don't know what the joint congressional committee would have done, or what their attitude would have been.

The CHAIRMAN. Of course, under the provisions of the bill the joint committee proposed under this bill is to report its findings and make its recommendations in March—March 1 of 1947.

Secretary VINSON. Right. January 1, as I recall it, is when the report would come, and the report of the joint committee would be made March 1.

The CHAIRMAN. And since the bill is not an authorization, and is purely a recommendation, it would have been necessary, if it had been authorized and had been in force, for the joint committee to make its recommendations to Congress by joint resolution. Then these recommendations would have been referred by the Speaker to the legislative committees authorizing public works or amendments to existing laws, or enactment of new laws to effect full employment. That would take some weeks of time.

Secretary VINSON. Yes, sir; and then you would have to run the gamut of the appropriations committees.

The CHAIRMAN. Then you would have to submit another budget to be transmitted by the Bureau of the Budget to Congress.

Secretary VINSON. They could be working on that while you fellows were taking care of the legislation.

The CHAIRMAN. But the earliest possible moment that an appropriation could have come under this bill if it had been enacted, would have been July 1 of next year.

Secretary VINSON. Before action could be taken.

The CHAIRMAN. Before action could be taken under the provisions of this bill, unless you waived all hearings and just reported the bill out on the basis of the President's message.

Secretary VINSON. Of course, I don't think we have gotten that far yet.

The CHAIRMAN. I know we haven't.

Secretary VINSON. Of course, it would take time; there is no question about it, but the machinery here deviates from the normal congressional machinery in one important point, and that is the additional screening by the joint congressional committee on this national budget.

The CHAIRMAN. You have been on joint committees?

Secretary VINSON. I have.

The CHAIRMAN. You don't think a committee composed of men as busy as these men are who would be named to this committee would have an opportunity to do much screening, do you?

Secretary VINSON. You know I don't think there is any business that faces Congress or the executive branch of the Government that is more important than maintaining and increasing the national income. We have got this monstrous debt—you see, I am in the Treasury now—we have got to raise the money to pay the bills. Now that the war is over we are going to have to pay the bills and the service charges on this debt. It is estimated that July 1 next year there will be a \$273,000,000,000 debt. It may be around that; it may be a little more. Congress and the Executive might want other things which will increase it, probably, but it will be in the neighborhood of \$275,000,000,000. We have got to have a high national income.

The CHAIRMAN. I agree with you on that.

Secretary VINSON. Or we can't dig out, and the way you get your high national income is in prices for raw materials, wages to workers, and profit to folks who combine the two forces.

The CHAIRMAN. On productive jobs.

Secretary VINSON. That is right.

The CHAIRMAN. Now, section 3 of this bill is the so-called—

Secretary VINSON. Which bill?

The CHAIRMAN. H. R. 2202. That is the so-called national budget.

Secretary VINSON. Yes, sir.

The CHAIRMAN. Is there any law now that would prevent the President from transmitting such a budget to the Congress?

Secretary VINSON. My answer to that would be that I know of no law that would prevent him from submitting a budget, but I do think there are some limitations with regard to the manner of securing information and the planning that I think and believe all students of the problem believe is necessary for proper recommendation. And I refer to it just sort of off-hand in my statement—and that is the provision which abolishes the National Resources Planning Board.

The CHAIRMAN. Did you ever hear of any recommendation of the National Resources Planning Board that went through the Congress?

Secretary VINSON. Well, I don't know. The part of the National Resources Planning Board which I was coming to was the Employment Stabilization Board. I do know that that became law in 1931, and I was in the middle of that legislation. I do know that it restricted public works to projects that had been approved by the executive branch or by the Congress. I do know that in 1932, following the enactment of the law in 1931, the Garner-Rainey bill was passed by both Houses and vetoed by President Hoover. It conformed with the provisions of the 1931 Stabilization Act, except for \$70,000,000 for post offices in small towns—and I know you know

what I mean. Now, as I understand the history of that—it is set out in detail in the Senate report—the Employment Stabilization Board was transferred to the Department of Commerce, and then it was abolished and its functions transferred to the National Resources Planning Board.

Mr. WHITTINGTON. Pardon me. When?

Secretary VINSON. In 1934.

Mr. WHITTINGTON. Was it 1935 or 1939, in the Reorganization Act?

Secretary VINSON. In 1931 it passed; in 1934 I think it went to Commerce; in 1939 I think it went to the National Resources and Planning Board, and Resources and Planning was abolished in 1943. I know something about the attitude toward the National Resources and Planning Board—you know some folks think it is almost a crime to look forward and to plan. Business plans. And it seems to me the Government ought to have some sort of an agency that would collate all the information from the different agencies—make it an administration responsibility, headed up by the President, and without limiting language that hamstrings it. Let him get the advice of his Cabinet and the heads of departments, and this continuous study, and let it be his responsibility to make recommendations.

But let me say a few words in regard to a limitation imposed when Resources and Planning was abolished. I haven't gone into it extensively, but unless there has been some change in other statutes, this language is pretty clear [reading]:

Provided, That the National Resources Planning Board is abolished, effective August 31, 1943, and that the functions exercised by such Board—

Which would include the functions of the Economic Stabilization Board—

shall not be transferred to any other agency, and shall not be performed after such date, except as hereafter provided by law, or as authorized in the ensuing proviso of this paragraph with respect to winding up the Board's affairs.

That language is pretty strong in regard to the performance of the functions of the Economic Stabilization Board.

The CHAIRMAN. Judge, would you advocate giving the President authority to freeze the appropriations for public works that had been passed by Congress?

Secretary VINSON. No; I wouldn't do that.

The CHAIRMAN. In other words, if this bill were to become law, and the President, or the board which is set up to make these reviews, found that in their judgment the public works could be postponed indefinitely because the construction of these public works would affect the employment situation, would reduce the available workers for private industry, you wouldn't favor that?

Secretary VINSON. No; I wouldn't favor doing that, and I don't think this bill even squints at that. As I visualize it, if a condition in our economy would arise where it was thought advisable to lessen public construction, public works, as I see it, a message would go to the joint congressional committee, they would take action and Congress would do what it, in its wisdom, thought best.

The CHAIRMAN. So without the planning board, or the planning authority or planning committee, whatever you might call it, the President now can do everything that can be done under this act?

Secretary VINSON. I have your viewpoint, Mr. Chairman, but it is an awful big mouthful to say that the President can do this and can do that. We have got a lot of things to do. The big point about this thing is the continuing agency, an agency that is continuing to study, using all the information from all the Government agencies and departments and other information, and making recommendations to him on that. In other words, it centralizes in this agency the responsibility to advise the President of the United States on this most important function.

The CHAIRMAN. Judge, we have agreed that if the bill had been passed in June, it would be late spring next year, before anything could have been done by the Congress under it.

Secretary VINSON. I have never even thought of it as a panacea for all ills, or for 1946.

The CHAIRMAN. The reason for my question is this; this committee was accused last night of having the responsibility of continuing the delay in our reconversion program. I just want the record to show that if this bill had been law in June, nothing could have been done under it before early spring of next year. I think the responsibility certainly does not rest at the door of the Committee on Expenditures in the Executive Departments, or on Congress.

Secretary VINSON. Of course, various implications may be drawn from the language the President used, but certainly this committee has responsibility for the consideration of this bill.

The CHAIRMAN. And we have been considering it.

Secretary VINSON. I know, but there has been some thought—not with reference to you at all—but some of us, who watch things go along, thought maybe we saw a little hint of filibuster by those who may not be particularly friendly to permitting the House to vote upon this important measure.

The CHAIRMAN. Judge, I think the record will show we invited members of the President's Cabinet to testify first, and for reasons beyond their control they could not appear.

Secretary VINSON. At that time.

The CHAIRMAN. Monday of this week was the first time we could get the Director of Stabilization, Tuesday of this week was the first time we could get the Secretary of Commerce to appear before us, and today is the first day that was convenient for you to appear. Now, Mr. Schwollenbach, Secretary of Labor, wants to testify. Well, he can't testify Friday; he can't testify until next week. So I don't think it is quite fair to accuse our committee.

Secretary VINSON. I am not accusing your committee.

The CHAIRMAN. I know you are not. But we have been accused.

Mr. HOFFMAN. It is just passing on a rumor. Certainly the Republicans couldn't be doing it; they are in the minority.

Secretary VINSON. I know, but, as usual, they have the power of vocal expression.

Mr. HOFFMAN. They have power?

Secretary VINSON. Of vocal expression. And oftentimes more than that.

The CHAIRMAN. Judge, in further defense of our committee, I think the record should show that we received telegrams to come back to Washington about 2 weeks before Congress was called to reconvene in September. I contacted the Secretary and asked him what bills

the President wanted the committee to start hearings on. The first was the surplus property bill. We passed that bill out very expeditiously, and just like he wanted it. The next one was the reorganization bill, and I think you will agree that we got a much better reorganization bill through our committee, and through the House, than anyone could have hoped for. That bill has not become law yet, through no fault of ours.

We have been holding hearings on this bill. A lot of us on this committee thought we should have an equal balance between the witnesses for and the witnesses against. We tried to be fair to both sides of this question. Frankly, I don't think the accusations that we have been dilatory and delaying are fair.

Secretary VINSON. What is that exact language? I haven't got the speech before me.

Mr. RICH. I know the judge wouldn't want us to have an improper hearing, would he?

Secretary VINSON. Not by a jugful.

Mr. RICH. The record should show that the majority of this committee was here before the Congress convened, and on this matter of surplus-property hearings, we were ready to proceed with the whole subject matter, but the executive branches of the Government were not then ready and asked us to defer hearings until they could make their recommendations.

The CHAIRMAN. We had to sit around here a week before we had a Government witness, and then the people opposed to the legislation could not be heard.

Mr. CHURCH. I don't think the chairman needs defend this committee one bit, or apologize.

The CHAIRMAN. I am not apologizing.

Mr. CHURCH. That isn't necessary at all; this committee has been doing more work on important bills than any other committee of Congress.

Mr. RICH. Mr. Chairman, I want to say that I don't want to be on the committee if we are called upon to do more than we are doing now.

Mr. BENDER. Mr. Chairman, we are of opposite parties, but I can say this, that four or five of the members of the committee who are strong administration men have not come to a single meeting of this committee, during these hearings. Frankly, I don't think it is at all appropriate to be criticized and censured for delay when, as a matter of fact, the people who usually "jump through a hoop" don't even come to the hearings. I merely call attention to that fact.

I have plenty to do here, as all of you have, and sometimes committee hearings conflict. If you were a glorified errand boy in your time in this body, you would know the position we are in. Here we have the servicemen trying to get out of the service, and the "brass hats" trying to keep them in in order to hold their jobs.

Secretary VINSON. There have been many times, my friend, when the seat I have been sitting in has become pretty hot, when I have longed for the "green pastures" on the Hill.

Mr. RICH. If anybody thinks the Secretary of the Treasury hasn't got his hands filled trying to pay for this war, they are mighty mistaken.

The CHAIRMAN. We will get back to the bill. Mr. Secretary, the fear that I have about this bill is, in view of the serious condition of our Treasury today, that we will lead the American people to believe that the day they get out of a job they will be given a job at a decent standard of living, at Federal expense. I just don't see how we can guarantee 8,000,000 people a job next year with our Treasury in the condition it is today.

Secretary VINSON. I said on a former occasion that this bill certainly does not mean that we would take a fellow by the hand and lead him from one job to another. As you know, I was Director of the Office of Economic Stabilization and Director of the Office of War Mobilization and Reconversion not long ago, and in many of the decisions that I made long before I left OES, I tried to keep a weather eye on the postwar economy, and on June 3, after prolonged study, I wrote a letter to Senator Wagner, on S. 380, and with your permission I would like to put it in the record.

The CHAIRMAN. Without objection you may do so.

(The letter referred to is as follows:)

DEAR BOB: This is in response to your letter of April 9 concerning S. 380, a bill to establish a national policy and program for assuring continuing full employment in a free competitive economy through the concerted efforts of industry, agriculture, labor, State, and local governments, and the Federal Government.

Next to a speedy and complete victory over Japan, a steady, well-paid job after the war is first in the minds and hearts of most Americans. The war has demonstrated that our economic system can provide jobs when demand for its product exists. It has done more. It has opened the eyes of all of us to the vast productivity of which American labor and the American genius for organization and management, working as a team, are capable.

But these jobs, this productivity, has been achieved in wartime through the creation of an unlimited market by the Government. To reach and maintain high levels of employment and a steadily rising standard of living in peacetime will call for a program suited to peacetime conditions and needs. In this program, business, agriculture, labor, and local, State, and Federal Governments must all play their parts.

We know we have an abundance of resources, plant, manpower, and managerial know-how to produce a standard of living far higher than anything we have ever known. Likewise, we know that we have unfilled needs in America so diverse and so great as to challenge the capacity of even the greatest producing Nation on earth.

But needs are not demands, in the economic sense. People must have steady income, and they must want to spend their income before needs become demands and people become customers.

Business management, large and small, has a great opportunity and a great challenge to help create these steady incomes, and to actuate demand by expanding their businesses, offering better goods and services at attractive prices. Labor and agriculture, through their efforts to increase production per man-hour, can contribute importantly to higher incomes and a higher standard of living.

But history shows that business, labor, and agriculture cannot in themselves assure the maintenance of high levels of production and employment. The Government, acting on behalf of all the people, must assume this responsibility and take measures broad enough to meet the issues. Only by looking at the economy as a whole, and adopting national economic policies which will actively promote and encourage the expansion of business and maintenance of markets and consumer spending, can we hope to achieve full employment. S. 380 recognizes this responsibility of government and seeks to provide a definite vehicle for the Congress and the President to measure the size of the employment need of the country and to provide specific programs for meeting it.

It would be idle to pretend that it will be easy to reach and hold full-employment levels. It would be folly, on the other hand, to pretend that it is impossible. The American people will not be content to go back to protracted large-scale

unemployment. It is imperative that we find ways and means to provide jobs for those willing and able to work. Depressions are not acts of God, any more than wars are. They are the product of our man-made institutions and the way we organize our society. We can and must organize to prevent both.

We must be prepared to make changes. At the same time we must be jealous of any encroachment on our freedoms. National economic policies must not be allowed to develop into regimentation of business, or labor, or agriculture, nor of the people. Direction of private output by public authority in peacetime is repugnant to American ways of thought. Instead, the maximum possible freedom must be afforded every producer to produce what he wishes, in the amounts for which he can best find a profitable market. Given an adequate market, our producers will supply the goods and the employment. We can be sure of that.

We cannot, however, leave the creation of that market to chance. We must start now to find out what measures are needed to maintain markets and steady jobs. S. 380 does not profess to present a fully conceived program for the achievement of full employment. It is the necessary first step from which a full-dress program of economic policies to promote the well-being of our free competitive economy will stem.

As a former Member of Congress, I have certain general reactions to the bill. I regard it as desirable that such a bill should limit itself to providing the machinery to be followed to assist in arriving at national policy and full employment, rather than attempting to specify in advance policy measures to be used to meet future conditions. I believe it wise to leave to the President full discretion in the matter of preparing estimates of the national production and employment budget. And I regard the consideration of proposed measures by a congressional joint committee, which can analyze the interrelationships between the various matters of special concern to the House and Senate committees represented, as an important step in the process of preparing national policy to maintain full employment.

I heartily endorse the purposes and principles of the bill.

Sincerely,

FRED M. VINSON.

Secretary VINSON. Well, I don't want to do this as a matter of pride, but just in order to keep my record straight, I would like permission to put in the record a statement that I made before the Banking and Currency Committee on August 31, 1945.

The CHAIRMAN. That was a statement on the same bill?

Secretary VINSON. Yes, sir.

The CHAIRMAN. Without objection, you may do so. We have those hearings, but it can be placed in the record at this point.

(The statement referred to is as follows:)

STATEMENT OF SECRETARY VINSON BEFORE THE SENATE COMMITTEE ON BANKING AND CURRENCY ON THE FULL EMPLOYMENT BILL

This country has a duty to its people that it cannot neglect. Millions of men and women in the armed forces and in our wartime labor force expect, and are entitled to, assurance that they will never again have to go through a period of hunger and poverty and of mass unemployment.

The war has shown how enormous the productive capacity of this Nation really is. People no longer believe that poverty and unemployment are a necessary by-product of our economic system. From this wartime experience they know that it is possible to have well-paid jobs for all. They will insist on full employment and steadily rising standards of living.

This country has achieved economic greatness under the system of free enterprise. This economic system has given to our people an incomparable standard of living. But free enterprise cannot live on the achievements of the past. It will survive and flourish only if we succeed in using our productive resources to maintain full employment. Despite the decade of depression before the war, the people of this country are confident that with free enterprise there can be work for all and a high level of well-being. Our task is to see that the great potentialities of our economic system are, in fact, realized.

Too frequently, in the past, it has been popular to place the blame for depression on the businessman. If jobs were lost, if wages dropped, business was held at fault. It was easier to hold business responsible for laying off men and for cutting wages than to tackle the real problem frankly and boldly.

Under our system of free enterprise, businessmen undertake production to meet an expected demand for their products. So long as they can sell their output at a price that covers their costs and leaves a fair profit, businessmen will employ all the labor they need to produce the goods they can sell. When they produce efficiently, sell a good product at a fair price, and pay reasonable wages, businessmen perform their function and they are entitled to profits from their production. The businessmen of this country have shown that when there is enough demand for their output they are able to produce fabulous quantities of goods and to employ all the available labor. In performing this function, the businessmen of America are without peers anywhere in the world.

But no businessman can continue to employ labor and to produce goods unless he finds a market for his output at a remunerative price. The fact is that if any businessman continued for an extended time to produce goods for which there are no buyers, he would inevitably incur such losses that he could not stay in business. For this reason, businessmen cannot assume the responsibility to keep producing goods and employing labor in the face of an inadequate demand for their products.

Clearly it cannot be the responsibility of businessmen alone to prevent unemployment. But that is not to say there is no responsibility anywhere to prevent unemployment. We cannot assume that depressions are an act of God, that they are a burden men must inevitably bear. We must face the fact that all of us have a responsibility to see that our economic system works efficiently, that there are jobs for men and women able and willing to work. When we are confronted with problems of national scope involving collective responsibility we must look to the National Government, acting for all the people, to take the leadership in their solution.

We can meet this problem of full employment if we face it frankly.

The 1920's in this country was a period of expanding production. While marred by farm depression and considerable unemployment at times, it was on the whole a time of active business. But in 1929, the storm that had been gathering broke. And in the next 4 years our economy was nearly wrecked.

With depression, this country seemed to be stricken by paralysis. Some influential people contended that deflation would cure depression, as if bleeding could be a cure for anemia. Their slogan was "sit tight"; their promise, "Prosperity is just around the corner." Nobody was ready to assume responsibility for dealing with the national crisis. Is it any wonder that in 1932 there were 16,000,000 unemployed, that hundreds of thousands of farms and homes were lost? The gross national product fell to \$50,000,000,000, and 40 percent of our productive resources went to waste because there were no markets for our industries and farms.

Contrast this with 1944. In that year we produced \$200,000,000,000 worth of goods and services. Despite the 12,000,000 men and women in our armed forces, we employed 52,000,000 in our agriculture, industries, and commerce. In fact, we were short of labor, and we had to restrict consumption and investment through rationing and priorities. There is only one explanation of this phenomenal record of production and employment. Businessmen knew there was a demand for all that could be produced.

The lesson of the war is clear. This country can produce enough to provide all of our people with luxuries and comforts undreamed of a generation ago. We can do this if we use our productive resources; and we can use all of our productive resources if businessmen know they will find a market for their production. I have unbounded faith that American businessmen can do their job if we give them a chance to do it. American businessmen have as much vision now as ever before. Let businessmen know that they will find markets for their products and we shall see a resurgence of enterprise without equal in any country at any time.

We have been told that we cannot afford to take measures to attain full employment. I maintain that the only thing we cannot afford is another period of mass unemployment. The people of this country are entirely right in saying that there must be jobs for all who are willing and able to work. If they do not get these jobs, then our economic system and our Government will have failed the people. Let us frankly accept the responsibility of assuring jobs for all. Having recognized that responsibility, let us promptly undertake the necessary steps to discharge it.

I would not underestimate the difficulty of the task. It means a national income of \$150,000,000,000 as compared with \$78,000,000,000 in 1940. It means assuring jobs for approximately 60,000,000 people as compared with 47,000,000 in 1940. It means increasing purchasing power enough to increase consumption by 50 percent, and to expand construction and investment by 100 percent over prewar levels.

Let there be no misunderstanding as to the meaning of the word "assure." It is more than a mere pious hope—a mere paper promise to be kept to the ear and broken to the hope. It means the assumption of a definite moral responsibility. It does not, of course, mean that every individual will be led by the hand from one job to another. It does mean, as Mr. Ralph Flanders has put it, that "The man or woman out of work has the right to expect that all responsible elements of society, and particularly the Government, will use all appropriate and effective means to assist his own best efforts in finding productive and profitable work."

Like all responsibilities, it must be discharged by fallible human beings, subject to those imperfections which are common to all mortal creatures. But to recognize our imperfections does not justify us in refusing to accept our responsibilities and to discharge them to the best of our abilities.

We have laws against murder, arson, and theft. Yet we all recognize that some of these crimes go unpunished. Yet none would deny the complete responsibility of Government to prevent crime. Likewise, recognition of probable imperfections in our full employment policy cannot justify our refusal to face the task of assuring jobs for our people.

Certainly, the task is difficult. But it can be done; and it can be done under our system of free enterprise. We have a unique opportunity now to establish high levels of production and employment and to take the necessary steps to maintain them. There is an accumulated demand for many consumption goods. Industry is eager to apply the newly developed techniques to peacetime production. Construction and investment must be undertaken to make good the deficiency of the past few years. We shall certainly reach a high level of production and employment after the reconversion period; we must make sure that it is not followed by a new period of mass unemployment.

This bill recognizes that the foundation of economic welfare is the use of our productive resources. It provides for a national budget that will show the amount of production necessary to maintain a high level of employment. It requires estimates to be made of the prospective demand for this output for consumption and for investment. When a failure of demand appears to be imminent, recommendations are to be made on measures to encourage expansion and to meet any remaining deficiency of demand.

There is one point I want to emphasize particularly. This is not, as many seem to believe, a mere spending bill, or deficit financing bill. Whenever there is inadequate demand, the primary duty of the Government under this bill will be to encourage an expansion of consumption and investment, the private purchase of the products of industry. For short periods, until demand is restored, investment in necessary and useful public works, planned in advance, will help prevent a serious depression. And whatever expenditure is made by the Government for such projects will be subject to thorough scrutiny under the national budget and by the joint congressional committee for which it provides. In addition, of course, all appropriations must be authorized by regular legislation and will be subject to the usual review of the appropriations committees and the Congress itself. But I say again, ultimate reliance for jobs must come from an expansion of private consumption and investment. The only solution to unemployment is to see that there are enough jobs at good wages in private industry.

It is plain common sense to examine regularly the prospects for employment in this country. To do otherwise would be the grossest negligence. It is elementary foresight to take measures to assure an adequate demand for the product of our people. I cannot see how the people of this country can deal intelligently with their economic problems unless they know what problems will arise and consider what must be done to meet them.

The foundation for prosperity in this country must be large and expanding consumption. That is the only way in which we can also have large and expanding investment. All of our people must have the opportunity to enjoy the high standard of living that our producing power has made possible. In my last report as Director of War Mobilization and Reconversion, I said: "The American people are in the pleasant predicament of having to learn to live 50

percent better than they have ever lived before." I repeat this, because unless we base our economy on this foundation of mass consumption, the structure will not be stable.

This bill is the essential first step in dealing with the problem of maintaining employment. It is a landmark, but not the end of the road. It must be supplemented by positive measures to encourage an expansion of consumption and private investment. The bill provides that "it is the responsibility of the Federal Government to pursue such consistent and openly arrived at economic policies and programs as will stimulate and encourage the highest feasible levels of employment opportunities through private and other non-Federal investment and expenditure." The success of this bill will depend largely on these measures for expanding consumption and investment. I believe these measures should be taken promptly, while we are converting our economy from war to peace.

I shall not discuss in detail the measures that should soon be taken to implement this bill. On July 1, 1945, in my report to the President and Congress on postwar economic problems, I gave briefly an agenda showing the major points for an economic charter for high levels of employment with a steadily rising American standard of living. I want to summarize this nine-point agenda:

1. *Taxation*.—A complete modernization of tax laws to help achieve stable high levels of employment and production.

2. *Small business*.—A program to foster small business and encourage the birth of new business.

3. *Competition*.—A fair, vigorous antimonopoly program because competition is a keystone to our free society.

4. *Labor, management, and wages*.—Measures to reduce industrial strife, the broadening of the minimum wage laws, and the encouragement of a high wage policy by business.

5. *Foreign trade*.—The breaking down of artificial barriers to trade and positive measures to encourage world trade.

6. *Social security*.—The broadening and expansion of unemployment compensation, old-age pensions, health and education programs of Federal, State, and local Governments.

7. *Farm program*.—Measures to assure the farm population an opportunity to enjoy the same standard of living, health, and educational facilities as the rest of the American people.

8. *Public works and construction*.—A long-term program of public works tied in with the Government's fiscal policy, and a program to encourage far greater volume of private construction for housing than we have ever had in the past.

9. *Fiscal policy*.—A fiscal policy aimed at maintaining the economy at or near full employment and coordinating all Government programs that have either an inflationary or deflationary effect.

After this bill is enacted, consideration should be given promptly to furthering its objectives through measures along these lines.

The enactment of this bill, when supplemented by concrete measures, will give confidence to business, labor, and agriculture. It will give businessmen confidence to go forward with their plans for new investment and for expansion of production. No less important, it will give confidence to workers and farmers and facilitate the expansion and growth of consumption which must be the foundation of our postwar economy.

Next to the maintenance of peace, this is the most solemn and sacred obligation of our great democracy. Unless we meet this obligation, the liberties of our constitutional system are insecure, the dignity of our people is endangered, and the sacrifices of our heroic fighting men may be set at naught. If we proceed boldly and firmly to meet this challenge, I look forward to our unparalleled realization of the rich promise of a prosperous, a secure, and a free America, leading a prosperous, a secure, and a free world in paths of peace and plenty.

Secretary VINSON. I do that because I want to say to you, as sincerely as I can, and show you as sincerely as I can, my judgment as to the worth-whileness of the full-employment bill. My letter to Senator Wagner, of June 3, said this:

As a former Member of Congress I have certain general reactions to the bill. I regard it as desirable that such a bill should limit itself to providing machinery to be followed to assist in arriving at a national policy on full employment rather than attempting to specify in advance policy measures to be used to meet future conditions. I believe it wise to leave to the President full discretion in the

matter of preparing estimates of the national production and employment budget, and I regard the consideration of the proposed measure by a congressional joint committee, which can analyze the interrelationships between the various matters of special concern to the House and Senate committees represented, as an important step in the process of preparing national policy to maintain full employment.

I think I can see in the bill as reported from the Senate committee—and it was passed by the Senate—at least some consideration of the first two suggestions. My notion is that the responsibility should be placed on the President of the United States, and he should be given the tools with which to work to enable him to submit a recommendation to the Congress on this most important subject.

The CHAIRMAN. Wouldn't we still have to have additional legislation to give him tools? This bill doesn't give him any tools, as I interpret it. I may be entirely wrong.

Secretary VINSON. My notion is that it gives him all he would need. If you pass this bill all that would remain would be appropriations to meet the administrative expense of preparing the national budget.

The CHAIRMAN. I think we would need some authorization.

Secretary VINSON. I mean with regard to setting up the agency to do the job.

The CHAIRMAN. No, I think he can do that now; set up the agency, but I mean so far as public works are concerned.

Secretary VINSON. No, no. I understand that. But I am speaking of the central agency.

The CHAIRMAN. He could do that under the reorganization bill, if we ever get it out of the other body.

Secretary VINSON. Well, we have got this limiting language in the act abolishing the National Resources and Planning Board. That is pretty strong.

The CHAIRMAN. A simple bill just to create another Resources and Planning Board would cure that defect, would it not?

Secretary VINSON. A simple bill?

The CHAIRMAN. Or a bill.

Secretary VINSON. Of course, it specifies, in the limitation, "unless authorized by law."

The CHAIRMAN. You would have no objection to striking out paragraph (e) on page 3, of section 2, of H. R. 2202, would you? That is the provision that assures everybody a job.

Mr. JUDD. It is page 4, paragraph 4 of the Senate bill. That "consistency" clause.

Secretary VINSON. I would prefer to answer that question by saying that I like the language of the Senate bill better than that particular language.

The CHAIRMAN. They have been lambasted for "watering" down the bill.

Secretary VINSON. I don't know just what other sections the gentleman might have in mind.

The CHAIRMAN. That was one of them, I recall.

Secretary VINSON. I say, I believe that I prefer the Senate language. I don't think it makes such a great deal of difference about words. I don't look upon this bill as a guaranty. As I see it, Mr. Chairman, the Executive and the Congress have the responsibility in this field. It seems to me that when they accept it, it provides machinery to as-

sume that responsibility—not to have 60,000,000 jobs available, but to get full employment, or as near full employment, as we can, to get our national income as high as we safely can.

The CHAIRMAN. But the words are what we are worried about, because we have seen so many Executive orders issued which purported to have their authority in words.

Secretary VINSON. I realize that. You folks are going to use the words you want, however. There is no question about that.

The CHAIRMAN. Then we will be accused of watering down.

Secretary VINSON. Of course, you could emasculate it. I have given you my judgment with regard to that language. I think there are a lot of words in it. But I believe that the job can be done under that language. That is the point I am making.

The CHAIRMAN. Judge, there are a lot of things I would like to ask you, but I don't want to take all your time, or all the committee's time.

On page 2 of this bill, beginning at the bottom of page 6, line 24:

The President shall set forth in such Budget, a general program for preventing economic dislocation, or diminishing the aggregate volume of investment and expenditure to the level required to assure a full employment volume of production, or both.

Do you construe that as granting the President power to decrease the value of a man's stock, if it looked like it were going to be inflated above par value?

Secretary VINSON. I never thought of that before, but I just can't read that into it.

The CHAIRMAN. I am asking the question because I don't know what that means.

Secretary VINSON. I can't read that into it, because he shall set forth a general program in his recommendation to the Congress and the joint congressional committee, legislative committees, appropriations committees. Then it has to be satisfactory to him or he vetoes it, and if he vetoes it, two-thirds of you can pass it.

The CHAIRMAN. Would that, if that were carried out by subsequent legislation, authorize the President to set up wage rates in, we will say, General Motors Co.? You heard the President's speech last night about some companies could raise wages and others couldn't. Let us assume the books of the General Motors Co. show they could pay a 24-percent increase in wages; let us assume the books of the Chrysler Co., whose plant is just across the street from General Motors, will show that they can only pay 2 percent. Would that not cause a lot of dissatisfaction on the part of labor, if we allowed General Motors to go to 24 percent, and the Chrysler Corp. only 2 percent?

Secretary VINSON. Of course, I don't think that situation——

The CHAIRMAN. That wouldn't come under this bill?

Secretary VINSON. Not under any part of this bill.

The CHAIRMAN. Under any legislation?

Secretary VINSON. No. Of course, under the stabilization program we met those situations as best we could.

The CHAIRMAN. Of course, if you have labor dissatisfied you are going to have unemployment. We have this problem confronting us daily: you will have a strike in some strategic industry that furnishes

supplies to some industry, and maybe there are 4,500 people employed in the strategic industry, and they will throw out of work 50,000 people in the large industry, the assembly line people. Would you think anything could be done under a bill of this kind that would correct that situation?

Secretary VINSON. It might not correct just that immediate situation, but if we had full employment, or nearly full employment, I think a lot of the restfulness and restiveness and causes of agitation would pass from the scene.

The CHAIRMAN. But if everybody knew they could get a job on a Federal works project—

Secretary VINSON. Well, that is just not here. You could recommend, for instance, tax reduction. That might help the employment situation. You know, I thought the tax suggestions that were made and which were adopted, at least in the House, yesterday—I don't know whether the conference report was reached in the Senate yesterday or not—will help the situation.

The CHAIRMAN. I thank you, Judge. I don't want to take any more of your time. Other members will want to ask you questions, probably.

Mr. HOFFMAN. Mr. Secretary, in view of the fact that most of us either have radios or have read the papers, the last paragraph of this statement is just surplusage, is it not?

Secretary VINSON. Not at all, sir.

Mr. HOFFMAN. I don't see why not. We all heard what the President said last night.

Secretary VINSON. That's all right; that statement expresses his views.

Mr. HOFFMAN. You think we didn't hear it, or didn't read it, or didn't pay any attention, or what?

Secretary VINSON. I don't know what you did or what anybody else did. I am speaking to the correctness of that last paragraph.

Mr. HOFFMAN. All you say in there is, "I speak for the President of the United States when I tell you that he regards full employment legislation as the basic framework," and so forth. We heard him say it himself, last night.

Secretary VINSON. I don't know that he said it exactly in that manner, but I know there is no inconsistency.

Mr. HOFFMAN. I didn't say there was. I say we heard it last night. But I, for one, regard your opinion as highly as I do that of the President.

Secretary VINSON. Thank you.

Mr. HOFFMAN. That part of it is all right. But I thought maybe you thought we didn't know about that.

Secretary VINSON. I had no such thought.

Mr. HOFFMAN. You also were talking about some of the planners, and spoke rather critically of those who criticized the planners. I think we all believe in planning, but so far as I know, the only planning that many—and I will include myself in that class—object to is planning by folks who want to spend somebody else's money, without any responsibility for it. When they furnish their own money, that is all right.

Secretary VINSON. You don't think Government ought to have any further vision or plan?

Mr. HOFFMAN. Oh, yes, I do. I think it is the business of the representatives of the people, either elected or appointed, to plan. My criticism would be that heretofore they haven't done enough of it. It has just been from day to day, and without regard to what may ultimately come out of the plans.

Secretary VINSON. That is one of the strong points I see in this bill; it is not a day-by-day, haphazard proposition. It is a continual study.

Mr. HOFFMAN. Frankly, to my mind that is the valuable thing in this bill. It lays down a plan so that hereafter we just won't move from this year to the next, but will have a system of public works which at least the Congress thinks may be of some use and value to the people.

I have read your statement, and I think it is the strongest statement that has been made in favor of the bill. And if that was all there was to it, some of us might be converted.

Secretary VINSON. You know my philosophy; as long as there is life there is hope for the fellow that is against me.

Mr. HOFFMAN. But, unfortunately, there are so many bad things hanging on to the good parts of this plan, and so many practical things that croup up when you try to put it into operation, that it makes some of us fearful. For example, we tried to get the Secretary of Commerce to tell us that this bill, if it provided Federal jobs on Federal taxes, would also give employment to nonunion as well as union men. And I could not get any support to that idea.

Secretary VINSON. My notion is, in a bill of this kind, you can have all sorts of limitations. For instance, the original bill, S. 380, was different than the bill the Senate passed. So far as that is concerned, Congress when it acts upon a program, will have the power and authority to put in any limitations that it wants on either the legislation or the appropriations.

Mr. HOFFMAN. I understand we have that power.

Secretary VINSON. Yes, sir.

Mr. HOFFMAN. To come back, you say that we have the power. You were a Member of Congress for a good many years.

Secretary VINSON. I was here during seven terms, a little over 13 years.

Mr. HOFFMAN. Isn't it true that when the party in power has both the executive and the legislative, a majority in both branches of Congress, it can pass any legislation it wants to?

Secretary VINSON. That has not been my observation.

Mr. HOFFMAN. It hasn't?

Secretary VINSON. No, sir.

Mr. HOFFMAN. You were here during—

Secretary VINSON. I was here and saw your party fail to pass certain legislation—I can't just recall it.

Mr. HOFFMAN. That was when the Democrats took over the House, when Hoover was President.

Secretary VINSON. I know, but that is when we had a small band of Democrats. We used to give you a good scrap.

Mr. HOFFMAN. Obstructionists, you might say.

Secretary VINSON. Probably so.

Mr. HOFFMAN. And then reactionaries.

Secretary VINSON. That is what I refer to when I call attention to the speech I made in 1932 on the public works bill.

Mr. HOFFMAN. You said it was a good speech.

Secretary VINSON. It was a good speech.

Mr. HOFFMAN. I think so, too. I never have read it, but if you made it I know it must have been good.

Secretary VINSON. I couldn't keep from smiling last night, when I read it, to realize just how partisan it was and just what political advantage we were trying to get out of it. And I can understand how you gentlemen feel, because I served in the minority, and that is the reason I don't get hot and bothered lots of times when folks in the minority go out on a rampage.

Mr. HOFFMAN. That is our business.

Secretary VINSON. Of course, it's your business. I won't say "obstructionists."

Mr. HOFFMAN. Constructive critics?

Secretary VINSON. I believe you used the term, regarding me, that we were obstructionists. I wouldn't use that term "obstructionists."

Mr. HOFFMAN. I was just borrowing it from a New Deal spokesman. It is not my term. I go on the theory that nobody can call me as bad names as I may be.

Secretary VINSON. Let me say that I haven't heard anybody call you as bad names as you could call them.

Mr. HOFFMAN. And I will agree with you that to the fellows who do that, that is the only kind of argument they recognize. You have to use more adjectives than they use; otherwise you are out.

Secretary VINSON. I want to go on record as saying—observing legislation since I left the Congress, and particularly the last few years since I have been with the executive branch of the Government—I will say that the minority has had a very important part in framing the legislation that has come out.

Mr. HOFFMAN. And you know of no committee that has less of partisanship in it than the Ways and Means Committee, do you?

Secretary VINSON. Well, I might have to say yes.

Mr. HOFFMAN. You mean this one?

Secretary VINSON. I would rather not particularize.

Mr. HOFFMAN. You wouldn't subscribe to the doctrine that the present majority party in Congress is not efficient and has not the power to put through any piece of legislation it is convinced should be adopted, would you?

Secretary VINSON. I have seen legislation that hasn't been put through.

Mr. HOFFMAN. I know, but I say——

Secretary VINSON. I will agree with you——

Mr. HOFFMAN. The Hobbs bill over in the Senate. We sent it there 2 years ago.

Secretary VINSON. I will agree the power is there, but there is a whole lot of difference between power and performance; you can't kid me, old boy.

Mr. HOFFMAN. I wouldn't attempt to.

Secretary VINSON. I know about the different groups in your party and in mine.

Mr. HOFFMAN. You will admit that the present party in power is efficient.

Secretary VINSON. Is efficient? Yes, sir.

Mr. HOFFMAN. And has the power to pass any piece of legislation it wants to, has it not?

Secretary VINSON. I will say it is efficient, and it has the power, but in legislation oftentimes compromises have to be made, and sometimes—

Mr. HOFFMAN. You mean the majority party is not always in accord with the objective?

Secretary VINSON. Well, I wouldn't say the fact that they don't come up with exactly what they wanted, that that meant that they were not in line with the objective.

Mr. HOFFMAN. On page 1 of your statement you say:

The war showed that when people of the United States set their minds on doing a good job, that job will be done.

That job was done on borrowed money, wasn't it?

Secretary VINSON. Part of it was, the big part; yes.

Mr. HOFFMAN. The bulk of it.

Secretary VINSON. A big part, but we raised lots of taxes.

Mr. HOFFMAN. But wasn't the majority of it?

Secretary VINSON. Oh, yes. I forget the exact percentage, but it was pretty close to 50-50.

Mr. HOFFMAN. And here is another one in the fourth paragraph of your statement:

We discovered as a result of the effective use of our resources during the war-time period the standard of living,

and so on. Now, we shipped a large part of our resources right out of the country, and they were lost to us, weren't they?

Secretary VINSON. You mean to the Army; the military?

Mr. HOFFMAN. Yes; and to all the other nations.

Secretary VINSON. But even with that, I don't think there is any question but that there was a rise in the standard of living of the civilian population.

Mr. HOFFMAN. You don't mean they had more butter, eggs, meat, clothing, and things like that, do you?

Secretary VINSON. Well, a lot of people who didn't eat butter, eggs, and things like that before the war had them during the war. Maybe some of us didn't have as much as we had prior to the war, but the figures are really prodigious when it comes to the consumption of food by the civilian population.

Mr. HOFFMAN. I was not complaining.

Secretary VINSON. I know you weren't.

Mr. HOFFMAN. Because so far as I know, all the Congressmen had more than they needed, many times more, and speaking generally, many people who hadn't had high wages before received them and once in a while they could get an egg, and a piece of meat.

Secretary VINSON. They bought lots of eggs and meat.

Mr. HOFFMAN. As I remember we had 25,000,000 cases of eggs, 30 dozen to the case, that went to the dump.

Secretary VINSON. I will have to check the figures on that. I remember one time Marvin Jones bought \$100,000,000 of eggs and I was jittery about the loss that was going to come, and later on I asked Marvin about it, and my recollection is he said the loss on that purchase was some place between 5 and 10 million dollars.

Mr. HOFFMAN. That was during the war; you couldn't help it.

Secretary VINSON. Yes; and the hens were laying lots of eggs.

Mr. HOFFMAN. The New Deal had no influence on the hens, did it?

Secretary VINSON. We asked for eggs, and, by golly, we got eggs!

Mr. HOFFMAN. The rooster crowed and the eggs came forth. This system of ours which we have followed here in America has, in your opinion, has it not, given the average man, the man who works with his hands, more than any other system?

Secretary VINSON. Yes, sir.

Mr. HOFFMAN. On page 2 [reading]:

In fact, there are two fundamentals upon which the American people already are agreed. The first is that our economic problems must be solved within our system of free enterprise. The second is that the most important of these problems is to maintain full employment.

Which is No. 1 and which is No. 2? That confuses me a little. And I am not quibbling about it.

Secretary VINSON. Well, the first is that our economic problems must be solved within our system of free enterprise.

Mr. HOFFMAN. Is that No. 1 in importance?

Secretary VINSON. Yes, sir-ree. The second is that the most important of these problems is to maintain full employment. And that must be done within the system of free enterprise.

Mr. HOFFMAN. Then down below you say that sometimes depressions are not God-made.

Secretary VINSON. That is a quotation from a speech I made, as I recall it, out at Arlington Cemetery, May 30.

Depressions, like wars, are not acts of God, man makes them. If we make them, we can unmake them.

Mr. HOFFMAN. What you meant was we can prevent future ones?

Secretary VINSON. Yes.

Mr. HOFFMAN. Don't you think there will always be periods of prosperity, and then periods of less prosperity?

Secretary VINSON. Yes, sir. That may very well be, and that is why we hope to cut the trend of less prosperity and stop the wheels from turning backward. We want to try to stop them and have them move forward. I saw the wheels turn backward, and I know you did, too, when I was here in Congress in 1930, 1931, and 1932.

Mr. HOFFMAN. And in the nineties I was working in a furniture factory in Constantine, for \$3 a week, 10 hours a day, 6 days a week—

Secretary VINSON. I am sure you were worth more money than that.

Mr. HOFFMAN. I am sure I agree with you, as every other citizen does, that no one of us ever receives what we think we should have.

Secretary VINSON. Sometimes I wonder.

Mr. HOFFMAN. And you know I and the rest of the people wriggled out of that without any grant from the Government or any aid.

Secretary VINSON. That was terrible.

Mr. HOFFMAN. No; it wasn't. I had time to go fishing in between the work and sleep hours. Now, the most you hope to do, as I get it, is to cut the top off a boom and try to fill in the hole you think is coming, not to let the bottom get down quite so far when we have a depression.

Secretary VINSON. Try to prevent it from reaching the bottom.

Mr. HOFFMAN. We can't keep it on an even keel unless we had what might be called perfect machinery for regulating everything.

Secretary VINSON. And, of course, I am not for that, and I don't think anybody is.

Mr. HOFFMAN. You want a little money to waste sometime in play-boy activities?

Secretary VINSON. Perfectly willing.

Mr. HOFFMAN. And sometimes when you have had too much of that, you are willing to quit having, perhaps, so much food and drink and pleasure. It helps a little to the real enjoyment of life to be up and down.

Secretary VINSON. I have been in both categories.

Mr. HOFFMAN. And really thought you were having a good time.

Secretary VINSON. Yes, sir; but it is really a little more pleasant to be up.

Mr. HOFFMAN. You wouldn't want to marry a rich woman and have her keep you that way. You would want your own money and have a little now, perhaps a little less some other time.

Secretary VINSON. I didn't marry a rich woman.

Mr. HOFFMAN. It all amounts to this. We have all been pretty well satisfied with the American system of government and the American way of doing things, and what we get out of it, and we don't advocate anything that would make a radical change in what the politicians call the American way.

Secretary VINSON. Right.

Mr. HOFFMAN. On that the committee agrees with you, I think. What makes some of us question the things that might come out of this bill, is the fact that if the Government is to provide public works, that in giving employment under these plans there will be discrimination under what might be termed the Walsh-Healey Act, and the Fair Employment Standards, the National Labor Relations Act, and all of these laws, because we see now that most of the jobs in industrial plants are held by those who are either willingly or unwillingly members of unions.

Secretary VINSON. That is congressional action. That is the law of the land as long as it is on the books.

Mr. HOFFMAN. I know, and I think Congress, and I think the people think that Congress should have taken some action about it, but unfortunately we haven't taken any action. Now, here comes a bill, and we are afraid, some of us, that if we are going to spend billions of dollars under some Federal act that the recipients of that aid will be limited to the members of these organizations. You understand what I am trying to get at?

Secretary VINSON. I understand what you say.

Mr. HOFFMAN. Haven't you a little sympathy for that viewpoint, just a little?

Secretary VINSON. Mr. Hoffman, I think that the question of public works—that that should be the last method used.

Mr. HOFFMAN. I don't quite understand that.

Secretary VINSON. In other words, I think we ought to try to have a program under the recommendation of the President, and only use public money for public construction if we feel that is needed.

Mr. HOFFMAN. And for the benefit of all, regardless of whether or not—one member of the committee wanted to add an amendment

saying "regardless of race, color, creed," and so on, and I agree with him, and I would add whether or not he was a union or nonunion man.

Secretary VINSON. I would put the question of any limitation or any amendment of existing law up to the Congress that is considering the program when it has been presented. I don't believe you can afford to limit the present bill in regard to the recommendations. Congress has got the power; the joint committee has got the power to recommend whatever it wants to, and the legislative committees and appropriations committees, have got the power to work it out according to the will of the Congress at that time.

Mr. HOFFMAN. Well, do you believe that we should appropriate millions, or billions, of dollars of the taxpayers' money to create Federal jobs for the unemployed, when it is the practice to exclude large segments of the population from those benefits?

Secretary VINSON. My statement on that would be that I think the expenditure of public moneys should be in accordance with the law, and whatever the law is at a given time, that would be——

Mr. HOFFMAN. Even though at the moment the law and the practice which was in effect excluded perhaps a majority of the workers from participation in the benefits of those expenditures?

Secretary VINSON. Well, of course, if the will of the Congress is such, they can change the law. But you are not going to take the position, even with your folks, and with your views, that if you have public construction that the law of the land should not be complied with. I know you well enough to know that you yourself would say that the law should be complied with. You may not like the law, you may inveigh against it, you may try to get it changed, but as long as it is the law, you will say that it should be obeyed.

Mr. HOFFMAN. I am not complaining about the law; I am complaining about the practice in utter disregard of the law. The Constitution says every man shall have equality of opportunity. But that is not the practice. We are told—I don't know how true it is—that certain racial groups are excluded from their jobs. I think that is wrong. And there is a great hulabaloo about it. Now, I know that other men, not because of race, but because of nonmembership in unions are excluded from participation in Federal jobs. That is not the law, that is the practice. What I am complaining about is the practice which has grown up in recent years, where labor organizations have taken over and they now act as arbitrarily as did the employers prior to the prohibition of the "yellow dog" contract. Do you see what I mean? It is not the law, Mr. Secretary; it is the practice, and I can't understand why, in a bill which so many endorse, and which says all Americans shall have an opportunity to work, where, as a matter of fact, all Americans do not have an opportunity to work, but are excluded from Government work all the time because they do not belong to a union—I don't see how you can advocate that we spend the money of all to provide jobs for certain organized groups. Do you care to make any comment on that?

Secretary VINSON. I am still standing on the law.

Mr. HOFFMAN. Ignoring the practice?

Secretary VINSON. I am not ignoring anything. I still say the law should be complied with, as long as it is the law.

Mr. HOFFMAN. I think I agree with you that the administration could take action, through changes in taxation or other laws, to encourage private employment. Then down here on page 5, you say:

There is no reason for assuming that the remedy that will be recommended, when a deficiency in employment opportunities appears, will be Government spending.

Aside from these other changes, like tax revision, and things of that kind, what would be the remedy?

Secretary VINSON. Well, you can have the question of aid to business, particularly small business; you can have a change in credits; you can encourage private construction. There are a lot of things that have been done since 1929 that certainly encouraged private business and bailed them out.

Mr. HOFFMAN. You don't mean that the Government should enter into any business which would compete with private industry?

Secretary VINSON. No.

Mr. HOFFMAN. You are against that?

Secretary VINSON. Yes.

Mr. HOFFMAN. Over on page 8—that was the paragraph I was looking for.

Secretary VINSON. Of course, there are some places where people say the Government is competing with private industry. I don't know what the attitude of the committee or the Congress is now, but certainly TVA, in my book, has justified its existence. I was here when Muscle Shoals was called Muscle Shoals, and I think during the war the benefits from TVA were almost of incomparable advantage.

Mr. HOFFMAN. You say, on page 8:

The chance to earn a living is so fundamentally a human right that it cannot be denied by quibbling or by the equivocal use of words.

Secretary VINSON. Yes, sir.

Mr. HOFFMAN. I don't see how you reconcile that statement with the present practice of compelling a man to join a union in order to hold a job.

Secretary VINSON. Of course, we have laws that are violated. There has been a law against murder on the statute books for a long, long time. The mere fact that you do have murders committed does not mean that the law against murder should be abrogated.

Mr. HOFFMAN. Do you know of any law that permits a man to refuse another a job because a man doesn't join a union? I don't.

Secretary VINSON. We have got the collective-bargaining statute, Mr. Hoffman, and I am sure you are strong for collective bargaining.

Mr. HOFFMAN. That is right.

Secretary VINSON. I am assuming that.

Mr. HOFFMAN. That is right.

Secretary VINSON. Now, we have a representative of the majority group, and they are the bargaining agency, and management and labor make certain contracts, and that is a contractual relationship. Of course I can remember, Old-Timer, when the words "collective bargaining" carried with it implications much stronger than the term "full-employment bill" and now it is part of our law, and I have heard very few people say that they would want it repealed. Cer-

tainly, in some instances in the use of collective bargaining, certain things come up where you have a contractual relationship between management and labor.

Mr. HOFFMAN. Suppose, under collective bargaining, 8 or 9 million people are left out, either because the unions don't want them and won't admit them, as sometimes happens, because they have enough, and those people are unemployed. Shouldn't the non-union men have a right, on Government-sponsored and tax-paid-for jobs, to work, regardless of whether they belong to a union or not?

Secretary VINSON. I assume if we had an employment situation of that kind Congress would take a look at the laws on the books.

Mr. HOFFMAN. What right has Congress, if you want to go back to that—what right has Congress, when it expends public funds on public works, to be constructed by a private contractor, to enact a law which gives the right of collective bargaining to the representative of the union and the employer whereby a taxpayer may be excluded from a job when his money in some prosperous era has been taken from him in taxes, exclude him from the benefits of that job? A man who is not employed, but whose money in more prosperous days may have been taken to create this job. Where is there any justice in that?

Secretary VINSON. I don't know whether I understand you.

Mr. HOFFMAN. Maybe one day I had some money and I paid taxes; then I lost the money I had, and I had to go to work, and I became unemployed. Meantime Congress, following the directions of the President to establish a Planning Board, does so, and under it Congress enacted laws appropriating some of my money which I paid in, and used it in the creation of this job where I can't go to work because I don't choose to join a union organization.

Secretary VINSON. I may have overstated myself a minute ago with regard to my notion about your viewpoint on collective bargaining.

Mr. HOFFMAN. No; you didn't. Do you claim that through collective bargaining, a taxpayer whose money has been used to create a job can be denied—is not entitled to a job on that project if he becomes unemployed?

Secretary VINSON. My statement is, and I stand by it, that if and when we come to the question of authorizing public works, or appropriating for public works, that then is the time, under those conditions, for the will of the Congress to be exercised.

Mr. HOFFMAN. And if Congress, aside from enacting laws under the police power, wage-and-hour law, conditions of employment—if it choose to go ahead and through some act similar to the NLRB give the employer and the union organization the right to exclude me from that job, through contract, then I have no rights?

Secretary VINSON. I would have to say that if that were the law of the land that would be what I would understand the law to be. And the policies of Congress—

Mr. HOFFMAN. Regardless of the degree of justice, or equal justice under law that there may be in it?

Secretary VINSON. It is a question of whether or not the legislation was constitutional. If the legislation was constitutional, under our free-enterprise system we have laws and we have got to observe them and conduct ourselves under those laws whether we like them or not. I think that is a basic responsibility of citizenship.

Mr. HOFFMAN. Then we have this situation, that the Congress, through its Representatives, can tax all the people to create jobs, and that the Congress in the exercise of its power, can limit those holding the jobs to one class.

Secretary VINSON. If it is a constitutional matter; yes, sir.

Mr. COCHRAN. Mr. Secretary, I am not going to delay you. I just want to compliment you on your statement and thank you for coming down here. The information you have given us has been beneficial. But I would just like to ask one question, and that is, If we had had legislation like this on the books when I came here, say in 1920, we might have, by exercising the provisions of such a bill as this, have stopped the downward trend, and we would not have gone so far down as we actually did, isn't that true?

Secretary VINSON. That is my opinion.

Mr. COCHRAN. Now, there is much more in this bill than public works, is there not?

Secretary VINSON. Oh, I should say so.

Mr. COCHRAN. That is just one of the things the President can recommend. He might try to cure the evil by changing our tax laws. He might make such a recommendation as that. He may not be required to have any public works. But, as a matter of fact, no matter what money the Government spends in the way of public works, it doesn't stay in the hands of the contractors or in the hands of the employees of the contractors, but it continues to be spent by the contractor and by the employees for the necessities of life, which require production, and when you increase production you naturally increase employment.

Secretary VINSON. Yes, sir.

Mr. COCHRAN. So it goes right along in a circle, and in the end a great part of it will come back into the Treasury of the United States in the form of taxes, isn't that so?

Secretary VINSON. I hope so.

Mr. COCHRAN. I hope so, too; but I hope we won't get to the point where we will have to create any emergency public works. I believe in a general public works program, and I hope that will take care of the situation so far as the Government is concerned.

I won't take up any more of your time. Thank you again for your statement.

Mr. HOFFMAN. I want to ask consent to put in the record at the close of the questions I asked the Secretary an article from the Saturday Evening Post, entitled "Let's Produce Jobs, Not Unemployment."

The CHAIRMAN. Without objection that may be made a part of the record at this point.

(The article referred to is as follows:)

LET'S PRODUCE JOBS, NOT UNEMPLOYMENT

(By Joseph A. Livingston)

After 5 years of virtually uninterrupted declines, the unemployment statistics are beginning to get into the headlines. For the first time in 3 years, unemployment has risen to around 2,000,000. The reaction—from labor leaders, local chambers of commerce, Congressmen speaking for their cities and towns—has been almost unanimous: The Government must do something. Yet the real danger the country faces today is not that Government officials will do nothing about unemployment, but that they will do too much.

To be sure, as war plants release workers and as soldiers and sailors leave separation centers, consumer incomes will drop, retail sales in some cities and towns will decline, and in certain localities, particularly the ghost towns, the United States will look as if another depression had surrounded it. Unemployment is an unpleasant business for everybody, but particularly for the person who is "it."

The unemployment of today and the accompanying hysteria bear a striking resemblance to that of late 1941 and early 1942. Then we had what was called "priorities unemployment;" today we have "cut-back unemployment." Then, as now, Detroit was the focus of the clamor. When the Office of Production Management—predecessor to WPB—stopped the flow of steel to automobile plants, the unions protested that Michigan would be a mass of unemployment, that the Michigan unemployment-compensation fund would go broke. Nevertheless, before the shouting could die down, auto plants had retooled and employment was increasing.

Admittedly, the unemployment estimates run high. The director of War Mobilization and Reconversion mentioned a peak of 8,000,000. However, though unemployment may run into the millions for as long as a year, the duration of unemployment for any one person is likely to be short. That is what counts. Unless labor-management disputes delay the process of reconversion, the man who was laid off in October is likely to find a job in November as additional civilian plants get tooled up.

But readjustments will be necessary. Not all machinists will be able to find jobs as machinists; not all airplane welders will find jobs as welders. And workers in war-boom centers will have to move to places in which peacetime operations are expanding. It is a necessary part of the reconversion process for some workers to shift from manufacturing into laundries or drugstores or retail trade; for housewives who are going to quit work anyway to go back to their homes; for manufacturers and other employers to reduce the workweek from 48 and 52 hours to 40 hours, thus creating well-earned leisure and additional jobs.

But such shifts won't take place if the Government coddles the economy. This is a period in which the economic self-interest of the individual must be permitted to exert itself, a period in which he who helps himself helps the country, a period in which Government measures to bolster purchasing power or protect war-boomed areas will only deter reshuffling, reemployment, and reconversion.

Consider a typical case. A shell-loading plant in a small town loses its war contracts. Pink slips go out to workers. Labor leaders, local businessmen, and the chamber of commerce swing into action. So do the congressional representatives. They want a public-works project to cushion the shock.

Such a project is bad for the workers, the town, and the Nation. True, it would provide some temporary employment, but it would hinder the town itself in making the readjustment which will have to come eventually. Also it would hinder the individual workers who stay on in making the long-term adjustment to a peacetime world; it would deprive farmers, contractors, manufacturers, and businesses at other locations of their immediate services. The net result is to dissipate manpower and materials and to obstruct reconversion elsewhere.

Similarly, unemployment compensation can be a force for or against rapid readjustment. During the war, high-skilled, high-paying jobs were abundant; in peace, many such jobs will disappear, and some workers will have to accept lower-paying jobs. However, if unemployment commissions pay unemployment benefits whenever workers cannot find jobs paying wartime wages, then they (1) postpone the worker's readjustment to peacetime realities and (2) delay reconversion.

What it comes down to is this: Peace has restored prewar economic and competitive incentives. Business organizations are trying to stake out a claim to permanent peacetime markets; individuals are trying to settle down in peacetime jobs with some assurance of long-term security. Right there is the Government's cue—to use the economic and competitive pressures of the reconversion period to meet the problems of the hour.

What's called for is a high order of administrative discretion to be sure that individuals do not suffer needlessly in the reconversion process, yet at the same time to be sure that economic pressures are permitted to do their work.

Steering between those alternatives will be anything but easy. Liberal support of purchasing power—cushioning the unemployed—is the stock in trade of

most politicians. Nevertheless, political realists in Government may see through it. Perhaps they'll recognize that instead of multiplying jobs, that policy only prolongs unemployment.

Mr. BENDER. Mr. Secretary, you and I are on opposite sides of the political fence, but I have read considerable of what you have said, and I have regarded your public activities, and I can say that I agree with your point of view pretty generally. You, in your statement, talk about supporting the full employment bill. Which bill do you have reference to, the House bill or the Senate bill?

Secretary VINSON. Well, you had a companion bill to this one which was introduced in the Senate. The committee worked on it for a considerable time, and they came up with a bill that was reported to the Senate, and the Senate then considered it on the floor and made some amendments. The main point I am concerned with is that we get a bill that will do the job. The question of numbers or names or that sort of thing is not in it. It is a question of a bill that will do the job.

Mr. BENDER. In your statement on page 3, you speak of a bill that was introduced in 1928 and passed in 1929, and your last sentence is, "When the bill was finally passed in 1931 it was in emasculated form." I would like to know frankly which of these bills is a bill you believe that we can pass. Understand, I feel very kindly disposed toward this whole issue, and I would like to pass a bill that would really do the work. I am curious to know, from what you have read, and from what you have heard, and from what you know of the two bills, which one of the two bills you really are for.

Secretary VINSON. Mr. Congressman, knowing the chasm that exists between the Congress and the Executive, I just hesitate to say what we should do. If I didn't know the real contribution of the committee in working on any bill, I would have missed a lot. I was here in Congress, and I know that when people hear testimony of different people and get saturated with the issues, they oftentimes can make a real contribution, if they are looking in the direction of helping a bill rather than weakening it. I don't believe that I should speak of the bill by number. I supported S. 380 in my testimony before the Senate, and I want to be perfectly candid with you; I think that the action of the Senate committee and the Senate really did not hurt the objectives. I read the bill that passed the Senate again last night. They have used slightly different wording in some places, and different arrangement and that sort of thing, but the main thing is to have a bill that will do the job reported out of this committee and pass the House, and pass the Congress.

Mr. BENDER. Well, now, Mr. Secretary, after the Senate passed the bill, an article in the Cleveland Plain Dealer, quoted Senator Barkley to this effect regarding the bill: "The bill provides that anyone who wants a job can go out and find one." The majority leader of the Senate was quoted as having made that observation. Do you still feel the bill is O. K.?

Secretary VINSON. Of course, I don't know whether he was quoted correctly, but I can say that I think the Senate bill is a very good bill. I don't mean that it couldn't be improved upon by your consideration of it. I think the House bill, H. R. 2202, is a good bill. Possibly my view on the Senate bill is colored by the fact that the Senate looked

with favor upon the suggestions I made. I think that helped my opinion quite a bit.

Mr. BENDER. Do you think that my constituency in Ohio, for example, which is fairly intelligent, after reading the comment of the majority leader, the responsible head of the party in the other body, when he says that this bill provides that anyone who wants a job can go out and find one—do you think that my constituency has a right to feel that we are doing a lot of boondoggling here so far as this bill is concerned?

Secretary VINSON. You have asked a question that is hard to answer. In the first place, I don't know that Senator Barkley said that.

Mr. BENDER. I don't know whether he did, except that he is quoted in the public press as having said it, and he didn't correct the statement.

Secretary VINSON. Well, it is pretty hard to correct all of those statements you know. So far as the boondoggling end of it is concerned, I don't believe that your constituency could properly conclude that any of the bills are of the so-called boondoggling type.

Mr. BENDER. Are we facing this problem realistically?

Secretary VINSON. I can say that in my opinion any constituent of yours that would take that position certainly is at variance with my considered judgment, because I believe that you are considering something that is worth while and very important, looking toward our future.

Mr. BENDER. I read five newspapers—all of them with representatives here—the New York Times, the Scripps-Howard paper, the New York Herald Tribune, the Washington Times-Herald, and the Washington Post, and every one of them had a different point of view as to what happened here yesterday.

Secretary VINSON. As to what happened where?

Mr. BENDER. At the session of the committee yesterday. Frankly, out of all this confusion, I am wondering what the people think we are doing for them here, or what this is all about. Let me ask you this question; isn't the calling of the bill a "full-employment bill" a misnomer? Doesn't it merely provide means for studying and reporting by the President to Congress on economic dislocation?

Secretary VINSON. I think that the name given to the bill does not adequately dub it. I think that—this is my considered opinion—that calling it the full employment bill, coupled with the labor groups supporting it, has caused a lot of opinion adverse to the bill. You certainly couldn't say that Senator Wesley Jones and President Harding and Herbert Hoover and Owen D. Young, and those who had given this matter careful consideration back in the twenties, were doing anything revolutionary. They were men who certainly could not be cataloged in that class. But I think that the restlessness, the restiveness, the nervous tension, grown out of the war, and all that sort of thing makes very fertile soil for battling on all fronts. A lot of folks look at the name full employment and say that this is far labor and labor alone, and close their eyes to the fact that this benefits agriculture, and in my judgment benefits industry, as much, if not more—well I won't say more—but it just seems to me it benefits the whole people, improves our hope of digging out of this condition.

Mr. BENDER. Mr. Secretary, in your colloquy with Mr. Cochran, you indicated that it is the responsibility of the Executive and of the

Congress to face this issue. Hasn't it always been our responsibility and the joint responsibility of the President and the Congress to face this issue of unemployment?

Secretary VINSON. Unquestionably.

Mr. BENDER. Shouldn't we be honest and frank with the people and really tell them what we are doing here, and tell them in an emphatic way, and not put labels on things that are not provided for in the legislation? Isn't the calling of this bill a "full employment bill" a misnomer? Doesn't it merely provide means for studying and reporting by the President to Congress on economic dislocation?

Secretary VINSON. I agree that that is the proper course to pursue.

Mr. BENDER. Mr. Secretary, incidentally, if it is legitimate to study atomic power, why not have tools to be aware of economic problems and situations?

Secretary VINSON. I think that is just as sound as it can be, Mr. Congressman.

Mr. BENDER. Now, Mr. Secretary, these newspaper accounts say that we talked on everything, all the way from soup to nuts, that had no relation to this bill. Possibly we do.

Secretary VINSON. That is the American way.

Mr. BENDER. In a statement submitted by a gentleman who appeared here, he said the administration was slowing down demobilization because they were afraid there service people would be unemployed, and in order not to get them on the labor market they are keeping them in the Army. What have you to say as to that, as a responsible member of the administration?

Secretary VINSON. If you will permit me to use the old vernacular, I would say that was the bunk.

Mr. BENDER. Do you think we are demobilizing rapidly enough?

Secretary VINSON. No; I wouldn't say we are demobilizing rapidly enough, or as rapidly as I would like to see us demobilize, because I would like to have my boy back. But I believe we are demobilizing as fast as we can. I would like to have the tempo stepped up, but you know man is mortal. They are the ones who fill these jobs, legislative, judicial, and executive. All that anybody can do is to do the best he can do, and I just can't imagine, with the heat that has been turned on—or without it—I just can't imagine that we are not doing our utmost. I believe that.

Mr. BENDER. I have one other question. The President, or, rather, the Congress, has not yet officially declared the war over. That is correct; is it not?

Secretary VINSON. That is right.

Mr. BENDER. And so the President has all the powers that Congress has granted him and granted his predecessor to cope this unemployment problem until this legislation is provided. He has emergency powers?

Secretary VINSON. Yes; he has the emergency powers that have been granted. Of course, the Stabilization Act will expire, unless it is continued, on June 30. I don't know what action, if any, has been taken on the Second War Powers Act, and I think that terminates on the last day of the year. But he has the powers that have been granted.

Mr. BENDER. So that in any crisis, or any situation that should confront us, or that we should be faced with, the President has all the

power he needs to cope with that problem that he had during the war, specifically, and particularly unemployment, and he could by Executive order, or by an action of his, provide for a correction of the situation that would bring about mass unemployment, or he could marshal our forces so that we might meet a given situation.

Secretary VINSON. Well, he has the powers that have been given him. I can't say that he has all the powers necessary to meet the difficult problems that have been presented during the war and that may come up. With regard to this particular legislation, of course, it looks toward the peacetime economy.

The CHAIRMAN. We have to appropriate money to give jobs.

Secretary VINSON. There is limiting language in the appropriation bill abolishing the National Resources Planning Board. The President has not the power, of course, as the chairman suggests, to inaugurate a public-works program, and he wouldn't have it if this bill were enacted.

Mr. BENDER. Mr. Secretary, you indicated that public works is only a last resort.

Secretary VINSON. That is right.

Mr. BENDER. Frankly, this measure and this whole conversation concerns itself less with public employment and mostly with jobs in private industry; is that correct?

Secretary VINSON. Oh, yes. Of course, the public works would be contracted out, would be done by private contractors.

Mr. BENDER. That is all.

Mr. WHITTINGTON. Mr. Secretary, I should like to say, first of all, that I appreciate personally your frank and your constructive presentation of the matter of unemployment. As I understand your views and your presentation, you feel that the problem of unemployment is a very real one, that it is accentuated more some years than others, that, human as we are, we cannot prevent economic fluctuations or, as they are called, depressions, but that we ought, so far as we can, to implement the legislation that we have passed and supplement that by additional legislation to prevent the disastrous losses and the greatest of all depressions of the thirties, the great depression of the twenties, and other depressions that have gone before, and in advocating legislation, you have insisted, in the very beginning of your presentation, that that legislation must be bottomed on a continuation of our free enterprise and competitive system and the utilization of our competitive free-enterprise system in undertaking to provide for full employment and full production?

Secretary VINSON. Yes, sir.

Mr. WHITTINGTON. And in making those statements and in referring to full production, referring to the right to a job or the right to guarantee a job, you have emphasized that we do not propose to quibble with words, that you are dealing with the substance of the program.

Secretary VINSON. Yes.

Mr. WHITTINGTON. And that you feel we ought to plan and that we ought not be content to do nothing about it.

Secretary VINSON. Right.

Mr. WHITTINGTON. Now, Mr. Secretary, in addition to making that statement, you have gone further and you have said that you oppose

continued deficit spending, or what is ordinarily termed deficit spending, and that you favor generally a balanced budget in the operations of the Government.

Secretary VINSON. I think that is a correct statement of my position, with this qualification: That in the middle of a depression, or if a depression has gotten along very far, or even maybe before it starts, a balanced budget may be impossible. I have learned one lesson—I learned it the hard way. Back in 1932, when the tax bill was presented by Mr. Mellon and Mr. Mills to the Ways and Means Committee—when they presented their recommendations to the committee the first time, as I recall it, their suggestions called for \$921,000,000 in taxes. A few days passed and we had revised estimates asking for \$1,241,000,000, and we voted the tax. It went to the Senate, and by that time the wheels were going backward, and the national income was dropping, and I think it was then estimated that five or six hundred million more was needed. The idea was to balance the budget. And I want to qualify my statement by saying that I don't think we can tax ourselves out of a depression. You might reduce taxes before it starts and help keep the wheels from moving backward.

Mr. WHITTINGTON. I had that in mind, and you will recall, in asking the question, I said "generally."

Secretary VINSON. Oh, yes.

Mr. WHITTINGTON. I had in mind your answers before this committee and your statement before the Senate committee, which I have read also, and it has been inserted in the record, but I quote from it:

I have never favored deficit financing just for the sake of deficit finance.

Secretary VINSON. Right.

Mr. WHITTINGTON. Hence my use of the word "generally." Now, Mr. Secretary, in undertaking to provide for a constructive program, you very frankly stated that you were not insisting on language, and when your attention has been called to certain provisions of this bill, you indicated you favored the broad objectives, and you are not meticulous about the use of language. I take it it would be a fair statement that in legislation to provide for unemployment, we want to continue and urge as a policy the strengthening of our economic system as a base.

Secretary VINSON. Right.

Mr. WHITTINGTON. On the other hand, we want to avoid that which some people in this country advocate, and they have a right to advocate it. Some people believe in deficit spending, some people believe in collective operations of public affairs. We want to avoid that just as we want to perpetuate the free-enterprise system. Now, then, Mr. Secretary, with that in mind, this committee, I think it is fair to say—and personally I share in that apprehension—feel that there is some language in this bill that would tend to encourage the people in the United States who had—not the majority—some people in our country who would say the people are not anxious to go back to work; they say that the Government in this full employment bill is going to provide them a job.

We ought to remove any such statement as that, so far as we can constructively, in any legislation we pass, because I don't think it would be the objective, and I don't think it is the purpose of the real

advocates of full employment to lull the people of the United States into the belief, now or hereafter, that they may not have to work. The right to work ought to be followed by the will to work, just as our forefathers undertook to impress on us, and we ought to be careful not to include language that would encourage false ideas, or encourage people not to work and have their Government do for them what they will not do for themselves.

I should like to say this, as I ask this question; something has been said about the President's recent radio address last night. Frankly, I could have wished the President could have known, as I cannot believe he did, that the Secretary of Commerce, the Director of Reconversion, and you yourself were unable to appear before this committee until this week, and that this week has been dedicated to hearing members of his Cabinet, and when I say that I don't deny the President, as I wouldn't want to deny you or any other person, the right to advocate constructive legislation for the provision, so far as legislation can, of real employment, emphasizing, when I use the word "employment" that you yourself said it does not mean absolute employment, that there must be seasonal workers. But as to the President's statement last night. I quote from that statement:

Some effective legislation embodying principles underlying full employment.

I quote from the President again:

The passage of a full-employment bill will give the American people this assurance.

I am unable to find any language in the President's message last night that advocates the passage of the pending bill without the dotting of an "i" or the crossing of a "t," or without any helpful or constructive amendment, or substitute, and I have quoted his language to show that.

Then I come to the concluding language of your statement to this committee, and for the record I want to refer to that language, and I quote:

I speak for the President of the United States when I tell you that he regards full-employment legislation as the basic framework upon which a large share of our efforts to solve the central problem of full production and full employment must rest. He is most anxious that the legislation be enacted at the earliest possible moment.

I find no word in that statement of yours that differs in anywise from the statements of the President, to wit, his advocacy of full-employment legislation, without asking us to report or pass this bill without amendment, or without the dotting of an "i" or the crossing of a "t," or without amendment or substitute.

I would like to have my question confined to the bill—and I am familiar with the Senate bill and familiar with the House bill. There are two modifications in the Senate bill, and you referred to one. One of them is as you quoted, and as you read in response to questions asked you by our distinguished chairman, "consistent with the other obligations of the Government."

In the Senate bill there is an amendment relating to taxes, as you recall, for the financing that may be necessary. Now, the thing that has bothered me about this bill is the language here upon which, as you have indicated, many people in this country believe undertakes to guarantee them a job, and encourages them in idleness—some of the

many, not the majority; and, secondly, now, when we are dealing with this matter as a long-range problem, not applicable to this year, when our veterans are being discharged, and after discharge many of them maybe do not want to go to work the next day, when men who have left the factories with money in their pockets probably do not want to go to work tomorrow—I don't want to encourage idleness because there is a dearth, as the testimony shows before this committee, and a lack of labor in agriculture and in industry all over the country—in every part of the country—so far as the testimony here discloses, and so far as my observation goes, so that I want to eliminate any language that would encourage in a legislative long-range program anyone to rely upon the Government giving them a job.

Passing from that provision in the bill—that first section—I go to the budget, and I ask you this question, if you will turn to the House bill, with respect to the national production and employment budget: Mr. Secretary, I am unable to find any provision in section 3 for any additional means or staff that is not available to the President at the present time because in that budget—and I am going to come to section 4 in a moment—he confers and relies upon his Cabinet, upon the executive departments of the Government, so that I am unable to find in that provision in section 3 anything that would provide additional staff or any additional means for the President to utilize in the preparation of this budget. If you can find any such provision, I would be glad to have you point it out to me.

I do find one thing, and one thing alone, in section 4, that suggests the utilization of agencies not presently available in the executive departments, or at least that may not be available, and that is on page 8, to the effect that the President may establish advisory boards or committees. I think he has that power now. I think he is asking committees to come to Washington next week, and some of them are here already. So that I repeat my question: In sections 3 and 4, where is there any legislation, in the preparation of the budget, in addition to existing legislation, covering any means that would be at the President's disposal, or that Congress would provide in this section, except the suggestion of an advisory board? If I am not correct, please tell me.

Secretary VINSON. I don't know whether this language in section 4 (a) has in it specifically the authority to employ the personnel and to perform the functions that he is directed to perform. I had the impression that it was an authority that would be used as a basis for the appropriations.

Mr. WHITTINGTON. I think that is a fair statement in answer to my question. But my question implied authority he does not now have, and the language of section 4 is:

* * * shall be prepared in the Executive Office of the President under general direction and supervision of the President, and in consultation with the members of his Cabinet and other heads of departments and establishments.

Secretary VINSON. The limitation, however, in the independent offices appropriation bill abolishing the National Resources Planning Board may be taken as a prohibition, without subsequent action being taken by Congress, to his performing functions of the Economic Stabilization Board, and any functions performed by the National Resources Planning Board, but, regardless of that, it is a matter that could very well be clarified so that there would be no question about it.

Mr. WHITTINGTON. I recall that provision. But the President now, in the preparation of any message, or any budget, does consult with his Cabinet and the others here.

Secretary VINSON. There is no question about that, but it is a question of having a continuing agency of government. Let us say he wanted to reconstitute a board that would perform the functions of the Economic Stabilization Board, or certain functions of the National Resources Planning Board. I have no doubt that some of our friends would say that he was running in the teeth of the law.

Mr. WHITTINGTON. Well, while it is not directly applicable, it involves planning. With regard to the National Resources Planning Board, I have been here, just as you were, in the House, and you have been in Washington since, and know the ups and downs of the National Resources Planning Board.

Now, I ask you the same question I asked Secretary Wallace on yesterday, and for the record I will give you his answer. You may make whatever answer occurs to you. I said, "Mr. Secretary," and I read that question to you:

Is it fair to say that the great value of the National Resources Planning Board, and its recommendations is and was, and the reason for finally disposing of that agency, is that they recommended building, planning, and spending, that their recommendation implemented the recommendations of the State planning boards of every one of the State planning boards of the Union, and that neither the National Planning Board nor any State planning board, so far as I have been able to ascertain, and so far as I have ever heard, undertook to supplement their recommendations for planning and spending with any constructive recommendation as to how the funds should be raised for which the money could be spent.

I said, "Is that one of the reasons the board was abolished." He said that was the constructive objection to the board, and that is frankly my thought with respect to it. I believe in having constructive planning and I agree with you with regard to that.

Now, Mr. Secretary, having asked you questions with respect to additional legislation that would enable the President to submit his recommendation to the Congress, I say that I personally agree with you about the establishment of the joint congressional committee. I won't quibble about the language, whether it be the language of the Senate or the language of the House. But I don't think we ought to stop there. I think we ought to provide, in a constructive employment bill for the establishment of a permanent agency devoted to one thing and one thing alone, and that is to the implementing of the legislation that we pass to prevent unemployment, and that is to the studying of trends, with a staff at their command to furnish the President adequate information, that you, as Secretary of the Treasury, and the other Secretaries in the Cabinet, are not able to furnish him because of the limited time at your disposal, and I want to supplement the joint congressional committee, in any legislation that is reported, if my suggestion is worth considering, by the establishment of a permanent board, agency, or commission, to give to the President of the United States the best available expert advice of the leading economists, the leading thinkers, the soundest planners of the country, that will enable them to make sound recommendations to the Executive and then to Congress.

Secretary VINSON. In the executive branch?

Mr. WHITTINGTON. Exactly.

Secretary VINSON. If it is predicated upon the views of the President, I agree with you without hesitation.

Mr. WHITTINGTON. And I would go further; I would make that advice to the President, I would make that advice to the Congress—I would let that board or commission be appointed by the President, and require them to submit their views and make them available to the Congress and to this joint congressional committee.

Secretary VINSON. We have a precedent in the Bretton Woods legislation, I think. In regard to that advisory council, I would have this thought; that since the responsibility is on the President of the United States to make the recommendation, it seems to me that he should constitute the board.

Mr. WHITTINGTON. I said appointed by the President, and with the advice and consent—

Secretary VINSON. Yes.

Mr. WHITTINGTON. If you think of any further suggestions, I will welcome them. I want to say this, as I ask this question, that I am bothered, as a member of this committee, and I think many patriotic Americans are bothered with the language in both the House and Senate bills, that it encourages a false hope, false security, and personally I am bothered about some of the language in this bill that is not pertinent to full employment.

Secretary VINSON. I agree with you that people should not understand this bill to be a panacea for all the ills of unemployment.

Mr. WHITTINGTON. That is exactly right. You have stated, and no witness has denied, no witness has contradicted, that so far as this bill is concerned, it doesn't provide for a single job in and of itself; it contemplates the implementing of other legislation.

My final question has to do with deficit spending on public works. It has to do with the implementing of legislation by the Congress in future appropriation bills or future legislation. In your statement before the Senate Committee on Banking and Currency in discussing the implementing of legislation to enable the President to forecast trends and submit recommendations, to enable the joint congressional committee to implement legislation passed and recommended, you stated a program, Mr. Secretary, that I think is the soundest program, and I want to say that because I could wish it had been submitted to us in person; I could wish this bill, or the Senate bill, or any other bill introduced, were going to adopt substantially that language. I want to read it:

I wish to discuss in detail the measures that should soon be taken to implement this bill. On July 1, 1945, in my report to the President on Congress and post-war economic problems, I gave briefly an agenda, showing the major points for an economic charter for high levels—

Not full employment—

of employment in the steadily rising American standard of living.

These points are:

1. Taxation; 2. Small business; 3. Competition; 4. Labor management and wages. Measures to reduce industrial strife. The broadening of the minimum wage laws and the discouragement of high wage policies; 5. Foreign trade; 6. Social security; 7. Farm program; 8. Public works construction. A long-term program of public works, tied in with the Government fiscal policies, and a program to encourage a far greater volume of private construction for housing than we have ever had before in the past. 9. Fiscal policy. A fiscal policy aimed

at maintaining the economy at or near full employment, and coordinating all Government programs at neither an inflationary nor deflationary value.

Personally, I think if these people who wrote this bill in January, it having been introduced in the Senate in January and the House in February, had had the benefit of that language and the substance such language had been placed in the bill we would have had lots less trouble in the consideration of this most important problem. I fail to find one line in that agenda that hints or squints at a program of continued deficit spending or a program to guarantee jobs for all.

Secretary VINSON. Might I say that what I had in mind there, in No. 1, Taxes, is that the Treasury and Congress have moved along that line.

In regard to the management-labor situation, there is a conference to be held here next week, looking toward machinery that will help on that front. I don't remember the number, but foreign trade has been given great consideration. You know the negotiations that are taking place. I am doing my best.

Mr. WHITTINGTON. That is right, Mr. Secretary. I don't agree in toto with every bit of the language there, but I think it is constructive, and I think it is unfortunate that there is a feeling in the country, and that statements are made, that Congress has done nothing about the matter of unemployment, because to prevent what occurred in the thirties, the losses of farms and the commodity-price situation that occurred then, we have undertaken to stabilize agriculture; to prevent what occurred in 1929, we have guaranteed bank deposits; we have undertaken to prevent the stock crashes, by passing the Securities and Exchange Act, and the Utilities Act, and other constructive legislation.

Secretary VINSON. And during the war we had constructive legislation, in my book, in regard to giving industry a free rein to march toward a miracle performance in the way of production.

Mr. WHITTINGTON. Yes.

Secretary VINSON. With legislation for the farmer.

Mr. WHITTINGTON. I feel that we have been very active toward getting as nearly a high level at employment as we could, not only for the benefit of labor, but for the benefit of all the people.

The CHAIRMAN. Mr. Secretary, there is a quorum call in the House, and it will be necessary to go. Can you return at 2:30?

Secretary VINSON. Yes, sir.

(Whereupon, at 1 p. m., the committee recessed until 2:30 p. m.)

AFTER RECESS

The CHAIRMAN. The hearing will come to order. Mr. Rich?

Mr. RICH. Mr. Secretary, it is necessary when Congress appropriates money that is in the Treasury not otherwise appropriated for you to furnish that money, is it not, as Secretary of the Treasury.

Secretary VINSON. Yes.

Mr. RICH. Do you know where you are going to get all the money that the Congress has been appropriating?

Secretary VINSON. We see our way clear, Congressman, through to the end of the present fiscal year. We have some funds on hand and we have the Victory Bond Drive going on, and there will be tax receipts paid into the Treasury. We see our way pretty well through the end of the fiscal year.

Mr. RICH. For this year, then, you figure that you are well taken care of. You have two sources of securing money for the Treasury—one is by taxation, and the other is by issuing and selling bonds?

Secretary VINSON. Yes, sir.

Mr. RICH. You now have about 80 million bondholders in this country, do you not?

Secretary VINSON. My recollection is that there have been 85 million individuals who have purchased bonds. I have not the figure at my fingertips as to the number of bondholders at the present time.

Mr. RICH. In order to make the bonds good to the bondholders, it is necessary for you to keep your Treasury in solvent condition?

Secretary VINSON. Yes, sir; above all else the credit of the Nation is paramount, and it is in this connection that I support the full employment legislation.

Mr. RICH. Do you know of anyone in this country that does not want the people of this country to have full employment?

Secretary VINSON. I do not believe I can name anyone. I think I might know some folks who apparently have not been very anxious to do much about it.

Mr. RICH. That would lead me to ask you this next question: Are there any people in this country who do not want to work?

Secretary VINSON. I think there are; yes, sir.

Mr. RICH. We have a certain percentage of our population that do not want a job if it was offered to them. Is that right?

Secretary VINSON. I think there are some who would not want a job at all. Occasionally they have to work but they are just constitutionally opposed to it.

Mr. RICH. If they could get unemployment relief of \$15 to \$25 a week they would be glad to accept that, would they not?

Secretary VINSON. Yes. But the fellow who gets unemployment compensation, you know, in whatever amount it is, has been working because the amount of payments to him is based upon the wages he has received during a stated period.

Mr. RICH. Do you know then of anyone who has been working who has now been offered a job that would rather take unemployment relief than take a job?

Secretary VINSON. I don't know of any, but I would not say that there were not folks that would fall in that category. I think I know enough about human nature to know that there are a few.

Mr. RICH. Then you believe there are people who would rather take relief money if they cannot get the wages they formerly had? They would rather take relief rather than take a job?

Secretary VINSON. Yes.

Mr. RICH. I am glad to hear you say that because I have had some witnesses who did not believe that there were any people in the country that would do that. I have read into the record several times letters that I received from some of my constituents who claim they had people on their pay roll that wanted to be laid off just so they could get unemployment relief.

Another thing, I want to congratulate you, Mr. Treasurer, I probably should address you as Mr. Secretary, but if I were calling you what I would want to, I would call you the familiar name by which we all know you, our former colleague. Some might say "Judge."

Secretary VINSON. Bob, I have been called lots of things by people who were not friends, but my friends can call me anything.

Mr. RICH. Everybody thinks a lot of you. I do want to say that. I want to comment on your fourth paragraph of the report on page 2.

Unemployment is not the fault of business. Businessmen do not want to stop production nor to lay off men. They know that profits come from production.

Too many men today have been criticizing business people in this country, calling them all kinds of names, trying to chastise them and don't want to give them any credit for trying to keep their business in operation. I want to take the part of a great many honest businessmen in this country who are as much interested in having full employment as Members of Congress or the Chief Executive or any officers in this Nation. I congratulate you on your remarks there in that respect.

I also want to make this statement: On page 5 of your letter to us today you are praising the Treasurer for the forecasts made by the Treasurer. This naturally would come from your predecessor. They therein claim the receipts for the years 1935 to 1940 were not all over 6 percent. You are correct in that statement. But if you went on from 1941 to 1944, and took the year 1941, you will find the estimate would be off 22 percent; in 1942 they were off 55 percent; 1943 they were off 35 percent; 1944 they were off 33 percent in their receipts.

Secretary VINSON. May I ask you a question, Bob?

Mr. RICH. Yes.

Secretary VINSON. In regard to 1942 and 1943 and the percentages being off, do you reckon the estimates were made prior to the tax bill which did something to the 1942 and 1943 returns?

Mr. RICH. I presume possibly; yes. I wanted to give you this information on the estimate of expenditures. I realize in those years, in war years, it is very difficult. But let us go back to your years, 1935 to 1940, and let us look at what Congress did and what the President's Budget estimates were, and what the actual facts were insofar as expenditures are concerned, so you can see where we get off.

Secretary VINSON. All right.

Mr. RICH. In 1935 they were off 14 percent in their expenditures. In other words, they were 14 percent greater.

In 1936 they were 8 percent greater. In 1937 they were 30 percent greater than what they figured they would be.

In 1938 they were 32 percent more than they figured they would be, and in 1939 it was 27 percent. So as far as the Treasury is concerned, in your estimates it depends altogether on what Congress is going to do and how they can throw the President's estimates clear out of gear.

Secretary VINSON. I just had an idea. I don't know whether or not I am right, but in regard to those estimates was that the Budget message that came down in January?

Mr. RICH. Yes.

Secretary VINSON. And then they made a certain estimate of expenditures?

Mr. RICH. Yes, sir.

Secretary VINSON. Then after that, I take it, you had supplemental estimates?

Mr. RICH. Yes.

Secretary VINSON. And additional expenditures?

Mr. RICH. That is right.

Secretary VINSON. Now, if you take the estimates in the annual Budget message and add the supplemental estimates that followed and then compare that total with the expenditures, how far off are the estimates?

It is really not a fair question to ask you. I will tell you what I will do. I don't know what the answer is, but I will submit for the record a statement of the estimates in the annual message and the supplemental estimates and see how we stand.

(The statement referred to is as follows:)

DISCUSSION OF BUDGET ESTIMATES AND ACTUAL EXPENDITURES, FISCAL YEARS
1935-40

In evaluating deviations in actual expenditures compared with Budget estimates it should be kept in mind that the Budget is presented to the Congress each year shortly after the first of January and relates to the fiscal year beginning 6 months later and ending 18 months later. It also has been the practice for the President to transmit supplemental requests for appropriations to the Congress from time to time after the presentation of the annual Budget message. These supplemental estimates should be considered as much a part of the whole Budget picture as the formal annual Budget document.

Frequently in the annual Budget message, which is a part of the Budget document, the President has announced his intention of forwarding supplemental requests for appropriations to the Congress to finance particular programs, sometimes indicating what the approximate cost would be but not including such cost in the expenditure estimates being presented at that time.

It should be pointed out that there are two principal reasons for sizable variations in some years between original estimates and actual expenditures:

- (1) Emergencies arising after transmission of the Budget Documents; and
- (2) The estimates are generally based upon laws on the statute books at the time the estimates are made. Consequently new legislation frequently changes the expenditure program.

In a number of years the Budget Bureau has prepared what is described as a "Budget summation" after the Congress has acted upon the regular annual supply bills. This "summation" recasts the expenditure estimates in the light of congressional action on major appropriation bills. In this way it has been possible to revise the original Budget estimates and show a more accurate picture of the expenditure situation, particularly with respect to items where the Congress provided greater or lesser appropriations than the President had requested.

Summations were issued for the fiscal years 1936 through 1939, and the following shows the dates on which such revised estimates were released:

Fiscal year—	Date summation issued
1936-----	Sept. 30, 1935
1937-----	Sept. 2, 1936
1938-----	Oct. 19, 1937
1939-----	July 13, 1938

The annual Budget document, in addition to containing forecasts for the ensuing fiscal year, also presents revised estimates for the year in progress. At the time these revised estimates are made the fiscal year in question is about one-half completed. Such estimates have been quite accurate, frequently only differing with actual expenditures from 1 to 3 percent.

The following table shows original estimates, summation estimates, and revised estimates compared with actual expenditures for the fiscal years 1936-40.

Comparison of Budget estimates of expenditures with actual expenditures, fiscal year 1935-40

[Dollar amounts in millions]

Fiscal year	Original Budget estimates ¹	Budget summation estimates ²	Revised Budget estimates ³	Actual expenditures ⁴	Change, actual expenditures compared with Budget estimates					
					Compared with original estimates		Compared with summation estimates		Compared with revised estimates	
					Amount	Percent	Amount	Percent	Amount	Percent
1935 -----	⁵ \$4,483	(⁶)	\$7,555	\$7,010	⁵ +\$2,527	⁶ +56.4	-----	-----	-\$545	-7.2
1936 -----	8,082	\$7,201	7,137	76,993	-1,089	-13.5	-\$208	-2.9	-144	-2.0
1937 -----	6,449	7,508	8,389	8,177	⁸ +1,728	⁸ +26.8	+669	+8.9	-212	-2.5
1938 -----	⁹ 5,396	6,971	7,140	7,239	⁹ +1,843	⁹ +34.2	+268	+3.8	+99	+1.4
1939 -----	¹⁰ 6,436	8,575	8,989	8,707	¹⁰ +2,271	¹⁰ +35.3	+132	+1.5	-282	-3.1
1940 -----	8,426	(⁶)	9,099	8,998	+572	+6.8	-----	-----	-101	-1.1

¹ These estimates are contained in the formal Budget Document transmitted to Congress in the first part of January each year. They relate to the year beginning 6 months later and ending 18 months later.

² Budget summations were issued for the fiscal years 1936-39. They were usually released in the first quarter of the fiscal year, their purpose being to review the original estimates in the light of congressional action on the major supply bills.

³ The annual Budget Documents, in addition to presenting estimates for the ensuing fiscal year, also include revised estimates for the year in progress. For example, the 1938 Budget, transmitted to Congress on Jan. 5, 1937, showed revised estimates for the fiscal year 1937, that year being about half completed.

⁴ Based upon daily Treasury statements.

⁵ Although the President stated in his 1935 Budget message that he expected to transmit supplemental estimates of not to exceed \$2,000,000,000 for recovery and relief, such amount was not included in the Budget expenditure estimates. Had that amount been included actual expenditures would have shown an increase of only 8.1 percent, compared with original Budget estimates, instead of 56.4 percent as shown above.

⁶ Summations were not issued for the fiscal years 1935 and 1940.

⁷ Excludes \$1,673,000,000 of adjusted compensation payments (soldiers' bonus). The Adjusted Compensation Payment Act was enacted Jan. 27, 1936, over the President's veto, and could not, therefore, be included in any Budget program before that date. Total expenditures in the fiscal year 1936, including the adjusted compensation payments, amounted to \$8,666,000,000.

⁸ In his Budget message, dated Jan. 3, 1936, the President anticipated the need for a work relief program in the fiscal year 1937. He made no estimate of the additional amount that would be required and pointed out that he could transmit such requests for appropriations more accurately at a later date and still give Congress full opportunity to examine into the subject and make the necessary appropriations before July 1, 1936. Principally as a consequence of appropriations based upon supplemental requests, expenditures for "recovery and relief" were \$1,829,000,000 higher than the original estimates for that year. Expenditures, other than "recovery and relief," showed a decrease of only 2 percent compared with original estimates.

⁹ The Budget message of Jan. 5, 1937, stated that it was planned to submit at a later date an estimate of appropriation for additional relief for the fiscal year 1938. The President expressed the hope that such estimate would not exceed \$1,537,000,000, although the Budget expenditure estimates did not include an amount for a new relief program. Had the sum of \$1,537,000,000 been included, actual expenditures would have shown an increase compared with original estimates of only 4.4 percent instead of 34.2 percent as shown above.

¹⁰ The President stated in his Budget message that "due to world conditions over which this Nation has no control, I may find it necessary to request additional appropriations for national defense. Furthermore, the economic situation may not improve—and if it does not, I expect the approval of Congress and the public for additional appropriations if they become necessary to save thousands of American families from dire need." Appropriations were made following supplemental requests, and as a result expenditures for "recovery and relief" and national defense aggregated \$1,563,000,000 more than the estimates. All other expenditures reflected an increase of 16.7 percent compared with original estimates.

NOTE.—This table shows Budgetary expenditures, excluding statutory debt retirement. The figures do not include net outlays of Government corporations or trust fund transactions. Also, to accord with present treatment, transfers to the Federal old-age and survivors' insurance trust fund (formerly old-age reserve account) have been eliminated from the Budget estimates and from the actual expenditures.

Mr. RICH. The fact of the matter is this: What I am trying to get at now, in asking you this question, is the probability or likelihood of making errors in the forecast. I realize in my own business we try to work 6 months or a year ahead in forecasting what we are going

to do in order to keep our business in operation. I realize that is necessary for the Government. But the point I want to make is that if the President makes an estimate, you set up this committee of 35 members to forecast the future, if the Congress does not do what is submitted, that is, what the President wants in his message, you can go far afield from getting the actual conditions as you would like to have them. So it is necessary for the Congress and the President to work together.

Secretary VINSON. Right.

Mr. RICH. That is if we are going to make a job for you as Treasurer of the United States, a job that you can depend upon, as far as you are concerned, you have to figure the Treasury is concerned with how much money the Congress is going to spend. You would like to know that a long time in advance to make your work so that you can do it in a systematic and businesslike way?

Secretary VINSON. That is right.

Mr. RICH. If the Congress and the President do not work together then our full employment bill you might say could go haywire because we would throw things out of bounds and out of gear. The business people in this country would be led to believe a certain thing would happen and then it would be difficult for them to keep in line.

Secretary VINSON. That is right.

Mr. RICH. Keep in line with the ideas and thoughts of this committee and the Congress.

Secretary VINSON. One of the things that gives me hope is this: We did pull together during the war.

Mr. RICH. Absolutely.

Secretary VINSON. There is no question about that. We pulled together. When they had a market for their product industry produced, and even the hens produced. We have the power to produce. In my book production is the thing that will raise our level of income high enough for us to have the kind of a country that we want.

Something was said this morning about the phrase "full employment." I am not coining any words. I have not any patent on this, but this bill could be named "full production bill" just as well as "full employment"—full employment, or full production, because it is a problem of achieving the reasonable maximum of production that can be disposed of.

Mr. RICH. Right there—if capital, labor would pull together in the same way they pulled together to win the war, wouldn't we get reconversion started in a whole lot better fashion than we would otherwise, and would it not be better for the Treasury of this country if we worked that way and arbitrated our differences rather than strike?

Secretary VINSON. There is no question that getting into production, reconverting to the production of civilian goods is really the salvation of the country. There is no question about that.

Mr. RICH. And if we want to get this country back on its feet so you can take care of the financial affairs of this country, it is absolutely essential that we have the very fewest possible work stoppages.

Secretary VINSON. That is right.

Mr. RICH. Should we not give our attention now as a Congress and as a Chief Executive more to getting the people to work and taking

care of the jobs we now already have, rather than trying to create new jobs? Certainly these jobs are not being created for the next month, the next 6 months. We have the jobs now; isn't that a fact?

Secretary VINSON. Yes. There is no question about that. But as I see it, Bob, this bill provides the machinery for doing the very thing you are doing in your own business, planning ahead.

Mr. RICH. That is right. Then instead of this being so important for the moment it is important for the future.

Secretary VINSON. That is right.

Mr. RICH. One other question now.

Secretary VINSON. But the importance of it for the moment is getting it on the books so that we can plan for the future.

Mr. RICH. I want to say here, and I said it on the floor, since this noontime, and I say this for Chairman Manasco, that I do not know of any fellow who is doing a better job and trying to work harder to have hearings on any bill since I have been associated with Congress. Never has anyone been more faithful to his task than Mr. Manasco, chairman of this committee. I want to give that compliment to him because I think it is due him.

Secretary VINSON. I have known Mr. Manasco for a long time, even before he was a Member of Congress. I know his capabilities, and I have cherished his friendship for many years.

The CHAIRMAN. I want to thank both of you fellows.

Mr. RICH. Have you made an estimate as to what the cost would be to set up the necessary offices to conduct this investigation?

Secretary VINSON. I have not. It should not be a considerable sum. I have not got that estimate. But I think the job is so important that, while I do not advocate exorbitant expenditures, I feel that any reasonable sum would be money well spent.

Mr. RICH. All right. Do you feel that the size of this committee, or any committee that is established, is too large? Do you find you get better results from a large committee of, say, 30 people, or do you get better results if you have a small committee or 5 or 6 or 7 members? Don't you find they will give more attention to their jobs and do a better job than if you have a large committee?

Secretary VINSON. My notion is that the commission or board or administrator, or whatever agency administers the bill, should be given careful consideration. Frankly, I like a one-man head. Sometimes Congress prefers a board and sometimes it prefers a one-man head. I believe in putting responsibility on as few as possible, preferably one man. But if it were a board, I think the board should not be too large.

Mr. RICH. I want to call your attention to another thing. In this bill this committee sets up 15 men in the Senate and 15 Members of the House, speaking of H. R. 2202.

Secretary VINSON. You are speaking of the joint committee?

Mr. RICH. Yes.

Secretary VINSON. I was thinking of what suggestion the Congressman made this morning in regard to an advisory group. Of course, the joint committee is a matter of policy. Congress can determine what they want. The Senate struck out the provision specifying the members of the committee. I think the idea has been current in many quarters that if you selected members of the committees affected to be on the joint committee, their experience might make it work more quickly and possibly be more effective.

For instance, the chairman of the Appropriations Committee and the chairman of the Ways and Means Committee might be on the joint committee. I would like to see a common meeting ground for the spenders and the tax gatherers.

Mr. RICH. Now, they have an appropriation, Banking and Currency—

Secretary VINSON. I believe I read some place that within the last month you were talking on the floor of the House about the lack of liaison between the spenders and the tax gatherers. Is that right?

Mr. RICH. That is right. I have been trying to get the chairman of the Appropriation Committee and chairman of the Ways and Means Committee together, so that if it was possible for them to work out what could be done in securing the money before they spent it that the financial condition of the country would be much better off. I was trying to make an easy job for you. I was trying to help you out.

Secretary VINSON. You may even have mentioned that.

Mr. HOFMAN. Appropriations and Ways and Means?

Mr. RICH. Yes. Your statement here on October 25—you show where you have a deficit of two hundred sixty-one billion nine hundred eighty-five million some odd dollars. I am wondering if you know where you are going to get the money. I have asked Members of Congress and they cannot tell me where you will get the money to pay this off.

Secretary VINSON. I believe I mentioned earlier that in 1944 there were 48,000,000 American taxpayers who helped present part of that money.

Mr. RICH. Mr. Secretary, just one more question: Does this bill give any false assurances to the American people that everybody can have a job at beck and call if he asks his Government for it?

Secretary VINSON. It should not.

Mr. RICH. That is all.

The CHAIRMAN. Mr. Mansfield, did you have any questions?

Mr. MANSFIELD. Everything I had in mind has been so thoroughly discussed yesterday and today that I do not know I can add anything to what has been said.

Mr. Vinson, I notice on pages 3 and 4, you refer to the Garner bill and the \$3,000,000 bill of public works. I believe you were on the Ways and Means Committee at that time, were you not?

Secretary VINSON. Yes.

Mr. MANSFIELD. The Garner bill was composed of public buildings, rivers and harbors, flood control, and I don't know what else.

Secretary VINSON. I remember that there was \$100,000,000 for relief. That was in title 1, as I remember it.

Mr. MANSFIELD. Yes. I furnished to Mr. Crisp, who came to see me in regard to the rivers and harbors, a list of everything that was embraced in it. In the \$2,300,000,000, about a half billion of that was also unloaded on me in the river and harbor bill of 1935.

After the decision of the Supreme Court in the Parker Dam case, about a half billion dollars was transferred to the rivers and harbors bill. Those things were all intended largely for employment. That is one of the main things upon which they were adopted, as I understand it.

Secretary VINSON. Yes.

Mr. MANSFIELD. They furnished only a small percentage for labor, for employment.

Secretary VINSON. That is on the particular job itself.

Mr. MANSFIELD. Yes, sir.

Secretary VINSON. But, of course, it would furnish employment for many times that number producing the materials used in constructing the public works.

Mr. MANSFIELD. Implements?

Secretary VINSON. Yes, sir; implements; transportation, and all sorts of things that go into such projects. I would like to inquire if you can confirm the statement I made here that in the Garner bill the only public works were those that had been approved either by Congress itself or by an agency of government having to do with it, except the \$70,000,000 for the post offices in the smaller places.

Mr. MANSFIELD. And they were limited to those?

Secretary VINSON. You had a yardstick in that bill as I recall it. The post offices were for towns of less than 1,500 with postal receipts of—

Mr. MANSFIELD. Ten thousand.

Secretary VINSON. Eight thousand.

Mr. MANSFIELD. Was it eight?

Secretary VINSON. Yes; I think it was.

Mr. RICH. Did not that require \$20,000 receipts before any post offices could be built?

Secretary VINSON. No.

Mr. RICH. Isn't that right?

Secretary VINSON. No.

Mr. RICH. I think that is the bill where they wanted to put a post office in Woolrich and I did not think it was necessary.

Secretary VINSON. Not under the bill of 1932, because that bill was vetoed and never became law.

Mr. RICH. I know, but they wanted to later. The Democratic postmaster recommended a post office be built there.

Secretary VINSON. That was under other authorization.

Mr. MANSFIELD. General Works Administration issued a statement a few weeks ago, giving a list of all towns in the United States that are eligible under the law for post-office buildings. They listed 29 in my district.

If we pursue the course we did when we had that under consideration before, they would give me one each year. Consequently, I would have to remain in Congress 29 years to complete the program.

Secretary VINSON. Anyone who knows you, Judge, would be glad to have you here when that twenty-ninth one came up.

Mr. MANSFIELD. You have known me longer than anybody else in Congress.

Secretary VINSON. Judge Mansfield and I knew each other even before I came here.

Mr. MANSFIELD. I used to work in the courthouse under his uncle. I don't believe there is anything further, Mr. Chairman.

The CHAIRMAN. Mr. Church?

Mr. GOSSETT. Mr. Church, would you mind? I have to go pretty soon.

Mr. CHURCH. All right. I yield to Mr. Gossett.

Mr. GOSSETT. Mr. Secretary, I think all of us agree on wanting full employment in this country in order to live in any country where we have had an abundance of natural resources and increasing prosperity. Since we are being rather informal here, I want to say, lest somebody gets the impression I may be in this crowd you referred to as the union league, that none of my family ever had anything to do with it. We have always been poor.

Secretary VINSON. I think you belong to the Sons of the Confederacy.

Mr. GOSSETT. We have always lived across the tracks, so to speak. If there is anything personal in this, I belong to the "have-nots."

The thing that concerns me, though, is the implication of this legislation. I believe you say you do not consider this bill purports to guarantee full employment?

Secretary VINSON. I don't think it is a guaranty of full employment, a guaranty of a job for every man.

Mr. GOSSETT. If the bill did leave that impression upon the public, then we would be doing the public a disservice by passing such a bill; would we not?

Secretary VINSON. I don't think we would. I think the important thing is to inform the public as to what the bill does do. The mere fact that there may be apprehensions about what is in the bill I do not believe would justify the defeat of the legislation.

Mr. GOSSETT. You would be opposed to legislation that did guarantee full employment. You would not want to have it as saying this Government would guarantee full employment?

Secretary VINSON. No; I say that basically, and I say it as a practical matter. It could not be done.

Mr. GOSSETT. It could not be done. The only governments that ever had full employment are totalitarian, I believe.

Secretary VINSON. If they had it. They may have had it.

Mr. GOSSETT. They would come nearer having it, I would say.

Secretary VINSON. Perhaps.

Mr. GOSSETT. You referred to the national debt. The only way we can pay our debts, of course, is by keeping up our national income.

Secretary VINSON. Right.

Mr. GOSSETT. But to the extent we have to supplement national income through taxation or deficit financing, we have not helped the situation, have we?

Secretary VINSON. When we get to deficit financing, we certainly have not helped it any. You cannot follow that kind of policy long.

Mr. GOSSETT. I doubt if this will be a fair question, and I did not have in mind asking it originally. I asked it of the legislative representatives of the CIO the other day. I asked them how big a debt they thought this country could carry without impairing its financial solvency. The representative promised to furnish the figures. They have not yet come in. I do not suppose that your department has done any speculating on that ground?

Secretary VINSON. I think there is some history in regard to statements about that. Some statements were made several years ago which subsequent events have shown were not sound.

The CHAIRMAN. One hundred billion, you are thinking about?

Secretary VINSON. Yes; that is the one I am thinking about.

Mr. GOSSETT. We refer to this as a rich country. When it comes down to dollar value, available money, we are broke, are we not? Aren't our riches in human resources and national resources out of which wealth can be created?

Secretary VINSON. We have a lot of wealth, natural wealth.

Mr. GOSSETT. Potential wealth.

Secretary VINSON. Natural wealth. Then there is something that cannot be overlooked—we have the earning power of our people. I do not think it is fair to talk about an appraised value of material assets. It is a question of the earning power of the men and women of the country and that potential is tremendous.

Mr. GOSSETT. Isn't the most valuable thing we have the personal initiative, pride, and confidence of the everyday average American citizen in his belief that he can earn by virtue of his own character and resources?

Secretary VINSON. I would not say the average American. I would say those things about most of the American people.

Mr. GOSSETT. If we should do anything unwittingly to destroy that, we would do this country a great disservice; would we not?

Secretary VINSON. I have no hesitation in saying it would be.

Mr. GOSSETT. I am talking of the philosophy of the thing.

Secretary VINSON. I don't think this bill even starts in the direction of either destroying or impairing that. I think it fits right in the framework of the constitution, the framework of the American way.

Mr. GOSSETT. If we undertook to guarantee every American a job, if he had the feeling that, come what may, the Government will take care of him, wouldn't that deprive him of a little of that?

Secretary VINSON. This legislation does not do that.

Mr. GOSSETT. That is a matter of opinion as to what that legislation does?

Secretary VINSON. If you think it does, we are just not in agreement.

Mr. GOSSETT. I say we are in agreement on what we want done.

Secretary VINSON. I say with reference to interpretation of this proposed legislation we would be in disagreement.

Mr. GOSSETT. You agree spiritual values in the American economy are just as great if not greater than material values?

Secretary VINSON. I think spiritual values are of tremendous consequence.

Mr. GOSSETT. And if we, through legislation or otherwise impair spiritual values, then we are doing the country a disservice. That is what I mean.

Secretary VINSON. Yes.

Mr. GOSSETT. I have just come back from Texas. I went way out in the country there where my folks live and they cannot get anybody to do any work for them out there. Jobs are just going begging. Of course, that is a present condition. But I remember in WPA days you could not get people to work on a farm in many instances because they would rather be on WPA. Isn't there danger, if we pass legislation guaranteeing jobs, or assuring jobs, that we will destroy some initiative and really hurt employment opportunities through such legislation?

Secretary VINSON. Of course, we just don't see eye to eye with regard to the bill, Ed. If you think that this bill guarantees jobs to everybody it is a different construction from the way I view it.

Mr. GOSSETT. Mr. Vinson, just take time to give me a blueprint of how you think this bill will operate. What does this bill do anyway?

Secretary VINSON. This bill provides machinery for the continuous examination of the economy of our country. It requires the gathering of all available statistics any other data that can be procured. It requires us to examine the history of the past and utilize that history in determining trends. We get information in regard to business trends, and we watch the operations of legislation. If existing laws need to be implemented or supplemented we make recommendations or suggestions to the President of the United States. He takes these suggestions under advisement. He submits a program to the Congress of the United States, not only on public construction but on other legislation as well. His attention may be called to the fact that the machinery in the executive branch of the Government is creaking. He may be able to tighten the nuts there.

When his message comes to Congress, the joint congressional committee takes those recommendations and they pass judgment on them. There is no authorization of legislation and there is no appropriation in this bill. The regular procedures in Congress in regard to authorization and appropriations still govern. Congress either authorizes or does not authorize; they either appropriate or do not appropriate. Then it is up to the executive department to carry out the law.

Mr. GOSSETT. You have to admit that is a very vague and indefinite answer.

Secretary VINSON. It may be to you but it is not to me. I did not quote all the language of the act in regard to the different facets—taxation, banking and currency, private construction, and that sort of thing. But I did not do that because the language is contained in the bill and I am certain you are familiar with it.

Mr. GOSSETT. In other words, you say this is just an over-all planning commission set-up?

Secretary VINSON. It certainly does have the function of planning, but not planning in the sense of finality.

Mr. GOSSETT. If we undertake through legislation to assure rather than guarantee full employment, isn't the Government going to have to exercise more control over wages and salaries and distribution of the employees?

Secretary VINSON. All those things, Ed, come down to what the recommendations of the President will be in his Budget message, and a question of what action the Congress will take on that. If you can conceive of the President of the United States doing something that he should not do, or if you assume that the Congress of the United States upon the recommendation of the President—that is, the joint congressional committee—is going to do something they ought not to do, and the legislative committee affected and the Appropriations Committee affected are going to do something they shouldn't do, then, of course, you can assume any kind of result.

Mr. GOSSETT. If we are not going to have definite action under this sort of legislation, why have it?

Secretary VINSON. But the definite action of Congress under this legislation takes place when the President's budget comes here. So

you can conjure up anything—I could take a little time out and do it, too—and come out with some horror stories with regard to the proposition. But this is not the time to discuss what the President's proposals are because there is no man in this room who knows what those proposals are going to be.

Mr. GOSSETT. Wouldn't this legislation commit us to a program of spending to make up whatever private industry does not make up by way of employment? In other words, assure full employment under Government spending?

Secretary VINSON. It does not commit you finally. But it does say that here at this time, and I think it is high time, we are to look forward to helping our economy; that the Congress now feels that this machinery should be set up for continuous study in order to make recommendations or give advice to the President of the United States to be transmitted to Congress.

Mr. GOSSETT. Do you anticipate any great unemployment in the immediate future?

Secretary VINSON. Figures I have seen show there will be quite extensive unemployment in 1946, the first half of the year, and maybe even into the last half.

Mr. GOSSETT. Does that include people who cannot get jobs or people who won't take the jobs they can get?

Secretary VINSON. The figures would include both, I think. I don't know. But the figure is not surprising with 12,000,000 people in uniform coming home, plus the millions engaged in war plants that are being closed down. The fact that unemployment will be of great consequence is no surprise to anybody who has thought about the subject.

Mr. GOSSETT. This may not be entirely appropos but it is something that it is giving a lot of people concern. There may be some bad planning already on the part of Government. I understand a good many industries and manufacturers are more or less going to sit down and strike now because they have all the money they can make this year under the excess-profits tax and they are putting everything into the warehouse and saying, "We will wait until next year because the new tax bill is coming in and it will remove the excess-profits tax."

Secretary VINSON. I did not favor sit-down strikes on the part of labor. I think I can be equally fair and frank in saying I do not think we should have sit-down strikes on the part of industry. If that is true, and there are sit-down strikes on the part of industry standing in the way of production or in the way of putting those goods on the way to the consuming public, a real dis-service is being done. You cannot play with the powers of inflation.

Mr. GOSSETT. I am not criticizing a man for operating his business in the way he can make the most money. I think it is unquestionably true that a lot of manufacturers are now waiting until 1946 to put their wares onto the market because they think they will take the benefit of our change in taxation.

As a result, retailers all over the country are sitting idle, and that, of course, shuts down other people.

Secretary VINSON. I have heard a lot about folks during wartime not being able to produce and sell goods at a profit. I heard that

for a long time. But when you take the totals of the income of the farmer and the income of the working man——

Mr. GOSSETT. You are getting off the subject.

Secretary VINSON. And the profits of industry, you have an all-time high.

Mr. GOSSETT. If we are doing such a bad job on planning right now, we might make matters worse with a bill like this.

Secretary VINSON. Where does that come into Government planning? There is no Government planning there. The business people are doing that planning. The Government has nothing to do with that.

Mr. GOSSETT. Why haven't they?

Secretary VINSON. Do you criticize the Government for the repeal of the excess-profits tax?

Mr. GOSSETT. No; but we should have something in there to spread it out so the boys could put the stuff on the market now rather than in 1946.

Secretary VINSON. You are coming closer to controls now than I thought you would go.

Mr. GOSSETT. We can do that under existing machinery without putting up additional machinery.

Secretary VINSON. You are coming closer to the question of controls than I thought you would. It may well be that something of that kind ought to be looked into.

Mr. GOSSETT. If we cannot do a better job with the controls we now have, we will certainly mess things up with further controls, I think.

Secretary VINSON. I think I know you well enough to know that at times, at least, you have thought there were too many controls.

Mr. GOSSETT. I still think we have too many controls.

Secretary VINSON. Then you are meeting yourself coming back.

Mr. GOSSETT. The function of government is to write the rules of fair play and then enforce them. Is that right?

Secretary VINSON. Yes.

Mr. GOSSETT. But if you have to have a referee and a coach for every player on a team, you are in a bad way.

Secretary VINSON. I think a remarkable job was done during the war by the farmer, by the laborer, by industry, and by Government, and that includes every branch of the Government, including the bureaucrats.

Mr. GOSSETT. We owe over 250 billions. Can we add another 250 billion? Can we add another \$250,000,000,000 to that, Fred, and stand it?

Secretary VINSON. I have no fear of such a consequence. I have too much faith in the patriotism of the folks who are in the Government—executive, legislative, and judicial—particularly the executive and legislative, because it is on that front that we are going to meet these problems in a way that will give us a prosperous economy. A prosperous economy means we are going to do something with that debt, lessen it instead of enlarging it.

Mr. GOSSETT. You would not, as a matter of law, attempt to guarantee full employment?

Secretary VINSON. No. I have not only said that here today but I have said it every time I have spoken on the subject.

(Short recess.)

Mr. CHURCH. Mr. Secretary, on page 7 of your statement you state, "Naturally these persons seldom express their opinions for the records." Who do you mean by "these persons"?

Secretary VINSON. Persons who feel that there should be a pool of unemployed to keep labor in its place and who think unemployment is conducive to the profitable operation of the enterprises with which they are connected. I don't think there is any question but that that is their philosophy.

Mr. CHURCH. You say "these persons seldom express their opinions for the record." You mean persons who have come here to testify in these hearings?

Secretary VINSON. No, sir; I did not refer to any particular witness.

Mr. CHURCH. You refer to Mr. William K. Kleitz?

Secretary VINSON. I was not referring to any particular person. I would be surprised if anyone would come to the committee and express that. I am not saying any of the witnesses who appeared have those views. I have heard that philosophy expressed, however.

Mr. CHURCH. On the same page up above the statement I have just quoted you refer to Mr. Rufus Tucker, the chief economist of the General Motors Corporation. You spoke of certain so-called Union League Club arguments. I think you will agree with this statement:

The condition of membership shall be absolute and unqualified loyalty to the Government of the United States.

The primary objects of this association shall be:

First, to encourage and promote by moral, social, and political influence, unconditional loyalty to the Federal Government, and to defend and protect the integrity and perpetuity of this Nation.

Second, to inculcate a higher appreciation of the value and sacred obligations of American citizenship; to maintain the civil and political equality of all citizens in every section of our common country; and to aid in the enforcement of all laws enacted to preserve the perpetuity of the ballot box.

Third, to resist and oppose corruption and promote economy in office, and to secure honesty and efficiency in administration of National, State, and municipal affairs.

You do not disagree with any of those principles, do you, that I have just quoted?

Secretary VINSON. If I got the thing correctly, I could say they were in favor of the Ten Commandments.

Mr. CHURCH. Those are the conditions of membership and primary and corporate objects of the Union League Club of Chicago. Your statement reflects upon Union League Club objects and carries a defeatist attitude.

Secretary VINSON. I think I know something about philosophies. I would not indict every member of any club. But it is the same Fred Vinson making that statement whom you have known all these years. Anyone who has that defeatist attitude, and who takes the position outlined here, in my judgment, is not promoting the welfare of the country, whether he belongs to the Union League Club or not.

Mr. CHURCH. Have you any reasons as to why you should elect to criticize the Union League Club arguments now that I have pointed out to you their essential first, second, and third primary objectives?

Secretary VINSON. Well, really, the use of that term is just sort of a label on the group that uses those arguments, whether they belong to the Union League, itself, or not.

Mr. CHURCH. I disagree with the Secretary in his selecting these groups and prejudicing people against certain persons just because they become members of a club like the Union League Club of Philadelphia, the Union League Club of New York, the Union League Club of Chicago.

Secretary VINSON. Any members of the Union League Club who do not have that philosophy certainly are not indicted.

Mr. CHURCH. Generally speaking 99 percent of that membership will be men who worked their way up from the very start and became successful, men working in and running their own small businesses.

Secretary VINSON. And sometimes those folks who have come up the hard way forget the hardships of the past. I am not saying that is general but that often has been proved.

Mr. CHURCH. Would you look at the bill H. R. 2202, page 2, section 2 (b), where it recites:

All Americans able to work and seeking work are entitled to an opportunity for useful, remunerative, regular and full-time employment.

Secretary VINSON. Yes.

Mr. CHURCH. Would you believe it would be necessary for the Congress to define any of those words in order to be more definite and accurate in the legislation? For example, What do you consider as useful?

Secretary VINSON. Well, if you think, Ralph, that a number of those terms should be defined, you will define them as you desire. The Congress will define those as it desires. I do not know that it will add anything to the discussion for me to define those terms. They are pretty clear terms to me. It might very well be they should be spelled out.

Mr. CHURCH. For example, now "useful" means what in this language in this section? How would you define "useful"?

Secretary VINSON. Mr. Chairman, I don't believe that contributes anything to the subject, to define words of that kind.

Mr. CHURCH. Would you be able to define the word "remunerative"?

Secretary VINSON. If you will tell me you do not know what it means, I will tell you what it means.

Mr. CHURCH. I will agree with Mr. Wallace, Secretary of Commerce, that there could be a thousand different interpretations.

Secretary VINSON. Congress, then, will make the definition. If that term is ambiguous, Congress will make the definition. I do not care to deal in detail of that kind. It is very likely if it has a thousand different meanings that this committee of 21 might have 21 different definitions. Seriously, Ralph, I don't want to add to the confusion. I am perfectly willing for Congress to define it however they will define it.

Mr. CHURCH. And you are willing to help us with the definition so that Members of Congress might know what it means?

Secretary VINSON. If you cannot get all the leading and best dictionaries on it, I will help you get them.

Mr. CHURCH. And if you would—I asked Secretary Wallace to do the same thing—extend your remarks and furnish us definitions of those four words in a way that we will definitize what the legislation means if it is passed.

Secretary VINSON. It is really hard for me to think you are serious in asking that of me.

Mr. CHURCH. Yes; I am very serious because you either refuse or you hesitate or you indicate an inability——

Secretary VINSON. No such thing.

Mr. CHURCH. (continuing). To define useful.

Secretary VINSON. No such thing. I am saying that I am willing for the committee to bring in any definition it wants. I think any definition the committee and the Congress would make, if they want to define the words, would be satisfactory definitions for me. If I could be fairer than that, I do not know how.

Mr. CHURCH. Let me read the bill down to this portion :

It is the policy to assure the existence at all times of sufficient employment opportunities to enable all Americans who have finished their schooling and who do not have full-time housekeeping responsibilities freely to exercise this right.

Would you explain what you would mean by the words "have finished their schooling"? How much schooling would you think we should have in mind when we use the term "have finished their schooling"?

Secretary VINSON. I think the individual must determine when he has finished his educational work. This bill should not say that a certain course is complete schooling. If a person has gone through the eighth grade and has finished his schooling, he has finished his schooling. If he is going through to an A. B. or a master's degree or a doctor's degree, he has not finished his schooling until he has finished that schooling.

Mr. CHURCH. You get my idea. It raises a point of great uncertainty.

Secretary VINSON. Not in my mind it does not.

Mr. CHURCH. You have given us a good explanation. You can check with the individual, himself. And then the words: "who do not have full-time housekeeping responsibilities." You would look to the housekeeping woman to determine that herself?

Secretary VINSON. Yes. It is a question of what their position is. I think there is different language in the Senate bill with regard to that. My recollection is that that part of it was stricken out.

Mr. CHURCH. It may have been limited.

Secretary VINSON. Yes; I think they have deleted it.

Mr. CHURCH. Now, Mr. Rich a while ago asked you to estimate, if you could, what the expenditure or the cost of the preparation of the statistics for this bill would be. Have you an idea?

Secretary VINSON. Of course, as I visualize the bill this is more than statistics.

Mr. CHURCH. It does include the statistics?

Secretary VINSON. Yes; it includes the statistics and data. It is up to the wisdom of Congress to determine what authorization should be made. Then, of course, you also have to check with Congress again when the appropriation comes up.

Mr. CHURCH. If we do a good job, we want the figures and statistics.

Secretary VINSON. You want more than figures. As I view it, it is far more than that. You have to have more than just some statistics. Statistics are very important in determining what the national income is. But then when you want to do something about it, it takes more than statisticians.

Mr. CHURCH. Would you apply the same reasoning in the case of the definition for the words "able to work" or as to whether or not

a person has finished his schooling? Would you look to the individual himself to determine whether or not he felt he was able to work? The bill says:

All Americans able to work and seeking work have the right to useful, remunerative, and regular and full-time employment.

What I am concerned about is: Are the statistics to be based upon facts—where are they to be gotten, from whom, and so forth?

Secretary VINSON. There are a lot of statistics on the question of the employed, the unemployed, and the unemployables. I believe that paragraph 2B in H. R. 2202 was amended in the Senate. I believe it must have been amended twice. I think it was amended in the committee and then again on the floor. At one time it said, "desiring work," and then it was passed reading "seeking work."

Mr. CHURCH. The Senate section reads:

All Americans able to work and seeking work are entitled to an opportunity for useful, remunerative, regular, and full-time employment.

Secretary VINSON. Yes. And the words "entitled to an opportunity for" is new language. The language of the House bill includes "have the right to useful employment." But as I said this morning in my prepared statement, while I know that Congress will pick the language that it thinks suits it best, if the objectives are the same, I said then, and I say now, that I do not quibble over words. I put emphasis on the objectives being the same.

Mr. CHURCH. Assuming this bill is passed, legislation following it would contemplate certain things, would you mind indicating what might be some of the prospective projects? A while ago Judge Mansfield mentioned the river and harbor projects.

Secretary VINSON. I could not speak on that. That would be a determination by the President of the United States after studies had been made and advice had been received. If this is done, it would have to do be done that way.

Mr. WHITTINGTON. Have a unit making the study on that. I would not attempt to. I say again that really, as I see it, is not in this bill.

Mr. CHURCH. As to the real meaning of many words in the bill, some of the witnesses do not want to help the committee on, or to get them out of the wonderland so far as the indefiniteness of those words is concerned. They are imponderables.

Secretary VINSON. I would be glad to help any colleague of mine, such as you, to get out of the fog. But you know I won't undertake to put in the mouth of the President of the United States words which constitute his message that he will make if and when this legislation is enacted. You just do not want to ask that of me.

Mr. CHURCH. Many members think the Senate bill has been watered down. They are still promoting the House bill, 2202. Committee members must still consider the meaning of these words in that section in each of the two bills.

Secretary VINSON. You should consider the words. You will choose the words. But if our objectives are the same, and we are seeking to get to the same end with full production, full employment, or as near to it as possible, to get to a high level of income, the question of whether you say "All Americans able to work and seeking work have the right," or if you say "All Americans able to work and seeking work

and entitled to an opportunity for," is not important. Some may think the language in one is better than the language in the other. I cannot help you determine which phrase suits you better.

Mr. CHURCH. It is not a matter of suiting me, but a matter of finding out what the words mean so that when we legislate we will know what they mean.

Secretary VINSON. You did not ask for a definition of any of the words I have read in those two bills? You understand those?

Mr. CHURCH. Which ones?

Secretary VINSON. I just read the beginning of the sentence "all Americans able to work and seeking work have the right to" in the House bill, and then you have the language that is in the Senate bill.

Mr. CHURCH. I think the Senate bill language is clearer than the House bill language. I think "opportunity" is a very clearly understood word.

Secretary VINSON. You understand that. You do not need definitions for those?

Mr. CHURCH. No; not for the word "opportunity."

Secretary VINSON. And you do not need a definition for the words "useful, remunerative, regular, and full-time employment"?

Mr. CHURCH. Yes. You know there is a lot of work that some people consider useful and others consider not useful, do you not?

Secretary VINSON. Give me an illustration.

Mr. CHURCH. Don't you know of any?

Secretary VINSON. I am not thinking of any. I have not thought of any. I thought you could help me because while I enjoy this very much, I am perfectly willing to—

Mr. CHURCH. You do not.

Secretary VINSON. I did not say I did not.

Mr. CHURCH. Let it rest there. I am perfectly willing to leave this record such that if the Secretary cannot define those words—

Secretary VINSON. You cannot put those words in my mouth. I asked you to give me an illustration.

Mr. CHURCH. And I also asked you to extend your remarks and include suggestions as to definitions you might wish to make after the hearing is over.

Secretary VINSON. I don't care to avail myself of that opportunity. I will assist you in getting all the lexicons and dictionaries you want. I will bring them to you by the wagonload if it takes a wagon to bring them to you from the Congressional Library.

Mr. CHURCH. That is all.

(At this point Acting Chairman Mansfield took the chair.)

Mr. MANSFIELD. Mr. Henry?

Mr. HENRY. Mr. Secretary, I want to thank you for being very helpful. I think you have been very helpful and patient. I would like to say, however, that I have given this proposed legislation my very best attention and there are still a few features of the bill that puzzle me.

I might also say that there have been some very vicious charges leveled against this proposed legislation. Many of these charges I have paid little attention to. But there is one that does bother me and I thought perhaps you could help me out.

It has been charged that the very title of this bill is a fraud upon the people of America in view of the fact that the bill itself, in and

of itself, provides no jobs, it raises no money, and so forth, and still it is known as the Full Employment Act of 1945. Can you justify that title for me?

Secretary VINSON. The title of the bill I think generally is used for a short-hand expression. That is what it amounts to, as I see it, the content of a document is really what determines its meaning and importance. The title of H. R. 2202 is:

To establish a national policy and program for assuring continuing full employment in a free competitive economy through the concerted effort of industry, agriculture, labor, State, and local governments and the Federal Government.

Then on page 2 of the bill, section 2 (c), you have the statement of the purpose. It reads:

In order to assure the free exercise of the opportunity for employment set forth above and in order to (1) foster free competitive private enterprise and the investment of private capital; (2) promote the general health and welfare of the Nation; (3) foster the American home and American education as the foundation of the American way of life; (4) raise the standard of living of the American people; (5) provide adequate employment opportunities for returning veterans; (6) develop trade and commerce among the several States and with foreign nations; (7) maintain expanding markets for agricultural products and assure expanding income for agricultural enterprises; (8) contribute to the economic development of underdeveloped areas of the country; (9) encourage and strengthen competitive small business enterprises; (10) strengthen the national defense and security; (11) contribute to the establishment and maintenance of lasting peace among nations, the Federal Government has the responsibility with the assistance and concerted efforts of industry, agriculture, and labor and State and local governments and consistent with the needs and obligations of the Federal Government and other essential considerations of national policy to assure continuing full employment; that is, the existence at all times of sufficient employment opportunities for all Americans able to work and seeking work.

I am thoroughly familiar with the use of labels. If you give a dog a bad name you might as well kill it. I believe I used to hear that down in Kentucky. I do not mean that full employment is a bad name in fact. I think "full employment" is really synonymous with full production.

It seems to me that full employment, full production, sound economy, national prosperity, are the same. Those who do not feel friendly to labor and who are opposed to legislation of this character, and a lot of other characters, will jump on anything to stir up, create, and add opposition.

Mr. HENRY. I certainly feel very friendly toward labor, I, myself, having been a laboring man.

Secretary VINSON. I had not intended a personal reference, of course, Congressman.

Mr. HENRY. I understand you do not. But these people who level that charge against this bill argue something like this: They say a minister or a banker, our Government above all, should always be honest with all of its citizens and tell the truth, the whole truth, and nothing but the truth, and in no way ever misrepresent anything to the public. Yet this bill is cited as the Full Employment Act of 1945.

They would prefer a much more, they say, honest title, such as one that was suggested here yesterday, I believe, by the gentleman from Minnesota, Dr. Judd. I think he said "Federal Economic Planning Act."

Secretary VINSON. Planning?

Mr. HENRY. Planning Act.

Secretary VINSON. The word "planning" is very offensive to lots of people who do not like to think.

Mr. JUDD. We are concerned about whether it is the truth or not. Planning is what the bill does, is that not right?

Secretary VINSON. It might be. I was thinking particularly of something else. I have gotten to thinking solely of public construction, thinking of architects and planning of that kind. The Senate of the United States, when they passed this bill, I believe still left it named, "Full Employment Act of 1945".

But I understand thoroughly and appreciate thoroughly the opposition to that. I do not want to advert to my experience in Congress, but one piece of legislation stands out in my memory. The act that is now known as the Railway Labor Act, in 1924, gentlemen, was introduced by Mr. Barkley in the House and Mr. Howell, of Nebraska. I had just gotten to Congress at that time. The editorials were burning. They just signed. They said it was socialistic, anarchistic, bolshevistic, and probably unconstitutional. They generally did that.

Mr. HENRY. Those are the kinds of charges I pay no attention to.

Secretary VINSON. It is the same thought, the same sort of thought. I think the phrase "full employment" is not a fraud, Mr. Henry. I still am not quibbling over words. I realize that some folks outside of Congress and probably some in Congress do not like to think of it as being that much of a labor measure.

Mr. HENRY. I take it then you do not consider this title leads anyone to believe in America that the passage of this act will give them a job under all circumstances?

Secretary VINSON. I say it is the first step toward getting fuller employment, full employment, or as near to full employment as you can. I do not look upon the passage of this bill or the title of this bill or the shorthand title as being a fraud.

Mr. HENRY. You do not think anyone will be misled by that, then?

Secretary VINSON. I won't say that folks won't say that they are misled. But if they are misled by that, there would be some other reason they would not be for the legislation.

Mr. HENRY. Would they not be less apt to be misled if the title were changed to something like Federal Economic Planning Act?

Secretary VINSON. Frankly, I just cannot think that that is a really serious matter; I mean serious in the sense that the title of the bill either should be or will be changed. I would not be surprised but that lots of people in Congress might favor the title. They have gone on record probably, sponsors of the bill and other folks. I do not believe it is necessary to change the title.

Mr. HENRY. I feel so strongly—speaking for myself—for honesty in all dealings that I just cannot make myself feel I am honest with the public when I title this legislation as this bill is titled. I certainly respect you for your views on it. I may be wrong.

The next thing that bothers me a great deal about this bill—and I have tried to imagine myself as secretary to the treasurer, and that puzzles me still more, and makes me still more concerned—paragraph E on page 3. It seems to me that that paragraph says, in plain English language that to the extent that private industry is unable to furnish full employment the United States Government pledges itself to take care of the remainder of those that are unemployed.

To me, if I correctly understand that, it means that the sky is the limit, whatever unemployment there is after private industry has done all that it can do after passage of this act, and there are 8, 10, 12, or 15 million people unemployed, whatever it is, Uncle Sam pledges himself to provide employment through public construction.

Secretary VINSON. Yes. I read that as being after they utilize all other methods, all the avenues of increasing employment that there are. I think that language would call for Federal investment and expenditure that may be needed to insure continuing full employment. I think that sentence has been deleted in the bill.

Mr. HENRY. Yes. I understood yesterday we need not worry about the necessity of the Federal Government making the investments and expenditures because if this bill is passed and an honest effort given to it, private industry would practically always provide full employment. But I am just worried about a contingency, if it should arise, and private industry should fail in spite of all our good efforts, and Uncle Sam is making a wild promise without knowing what the consequences are that he will make good all that there is left to be made good. With the state of our Treasury and our indebtedness and everything, it does not seem like good business to me to make that promise.

Mr. MANSFIELD. You realize Congress has that authority now, do you not?

Mr. HENRY. Here we are saying to the people of the United States that we will do this if and when. There is a question in my mind whether the financial strength of this Government will permit such a promise. I wonder if that does not worry the Secretary.

Secretary VINSON. I have seen public construction. Many millions of dollars were spent in the thirties. My thought in regard to it was that the ounce of prevention was worth a pound of cure.

Mr. HENRY. I agree with that.

Secretary VINSON. It just seems to me it is history repeating itself. I read with a great deal of interest the story of the Employment Stabilization Board. Statements were made pro and con. The Senate committee said that that bill would not pass in 1928. They said they did not even want the word "depression" to appear in a campaign year. I am thoroughly at home in that field. I was here in 1931. I could almost see Mr. Graham, chairman of the Judiciary Committee, and the committee emasculating the bill. I could see what they cut out. That bill passed the House, passed under suspension of the rules, as I recall it, which did not permit any amendments. It went to conference and Senator Johnson of California was chairman of the conference committee from the Senate. Senator Ramsdell was on the conference committee also.

Mr. Graham and Mr. Sumner were the House conferees. They deadlocked. The Senate would not take the emasculated bill. The other bill was introduced and passed.

Mr. HENRY. Mr. Secretary, if you owned a large farm and did not want to operate the farm yourself, and you found a man who wanted to lease it from you, the only condition under which he would lease it from you would be to have you say, "I am going to do everything I can to make your operations on this farm a success. I am going to create a climate and I am going to furnish you with machinery, tools, seed, and everything like that."

Then he said, "After doing all that, all I can humanly do to help you, if you fail, I will make up the deficit." You would not make any such promise to a man who would lease your farm, would you?

Secretary VINSON. If I were agreeing to furnish the climate for him, I would be doing more than mortal man could do.

Mr. HENRY. I was using the word "climate" in the manner it is used in speaking of this bill.

Secretary VINSON. I do not know. There have been contracts of that kind made where a fellow was doing other work, work on a farm other than particular crops, looking after the farm. I do not know.

Mr. HENRY. You would agree that would be an unbusinesslike contract to enter into on your part?

Secretary VINSON. If I were expecting the yield from the crops to be my livelihood and other services were not rendered which were commensurate with that contract, I would say it was not businesslike.

Mr. HENRY. I was in hopes you could relieve my worry in connection with this paragraph. It does seem to me we are making a wild promise to make good. To what extent? The sky is the limit. In view of the condition of our Treasury and our financial condition, it just seems to me that the Senate version does limit that promise.

Secretary VINSON. It deletes this paragraph, I think.

Mr. JUDD. It puts in a consistency clause. "Consistent with the needs and obligations of the Federal Government," and so on, I believe is how it is worded.

Secretary VINSON. Yes; this paragraph is stricken. Frankly, I think the language of S. 380 much better.

Mr. HENRY. I believe that is what you stated.

Secretary VINSON. Yes, sir; I like that better.

Mr. HENRY. I am pleased to hear you say that.

Secretary VINSON. I said that this morning, too. Maybe I did not say it in connection with paragraph E.

Mr. HENRY. I think what you say carries a great deal of weight. I feel much better, inasmuch as you like the language of S. 380 better than in paragraph E on page 3 of H. R. 2202.

In your remarks here today I think you made some reference to a demonstration having been made in America during wartime of how we can all pull together, labor and industry, and how much we can accomplish under such an arrangement. You offered that as proof that if we do all cooperate that way we really can do wonders.

Isn't it a fact, Mr. Secretary, that during wartimes when we are fighting for our very existence, even though we are a democracy, we do willingly forego some of our liberties, in fact, many of them, and we do submit to a certain limited amount of regimentation, are willing to do that during wartimes? Do you think it is possible to experience such a demonstration of cooperation as we did during the war at any other time than during wartimes?

Secretary VINSON. I would not think it would reach the degree of cooperation during the war. I believe we have gone a long way down the road toward cooperation. There was a document which was issued by Eric Johnston, Mr. Murray, Mr. Green, and someone else here several months ago that I thought was a pretty fair and fine charter. I grant you that the cooperation will not be 100 percent any more than you will have 100 percent employment. But the nearer you can come to total or full cooperation, just as near as you can come to full

employment, the better off we are. We are going to have labor-management meeting next week. I do not attempt to predict the outcome. Machinery to settle management-labor disagreements cannot settle everything. I think we have come a long way. I can remember conditions in my country when I was a young man that make me almost think it was a dream, that is that those conditions could have existed. They passed out of the picture. Don't you agree with me that we have gone a long way toward the solution of management-labor difficulties?

Mr. HENRY. Yes; we have gone quite a long way. And I agree, if the time should ever come in this Nation when all employers would honestly do all that they can to advance the interests of labor, and at the same time labor would do everything within its power to furnish industry with its best efforts, then we will have come to the time when we will have real cooperation and full production in this country.

Just one more thought I have. The thought has struck me several times, Mr. Secretary, as you have perhaps noticed at this table, there has been considerable comment relative to the fact certain congressional districts have a great deal of work to be done, and Congressmen have pointed out how they have been unable to find the men who were willing to accept the jobs. Don't you think that that perhaps is a temporary situation?

Secretary VINSON. I think it is.

Mr. HENRY. Don't you think that during such a temporary situation this is perhaps an inopportune time to advance such a bill as this because you constantly have to meet that kind of argument?

Secretary VINSON. You know that same argument was made in 1928 and 1929 when we thought we were in a period of prosperity. People said, "This is not the time," and then waited a little longer, and then 3 years after that, when it was passed, we were headed downhill and we kept going down.

In the winters of 1932 and 1933 there were frightful days. We ought to set up this machinery and get this information. You cannot wait and wait. When PWA came in, I do not remember the year that it was authorized, I know it was a couple of years or more before it got into anything like full swing.

Mr. HENRY. I agree with you that the time to mend the roof is when the sun is shining.

Secretary VINSON. I think the Arkansas Traveler said that, didn't it?

Mr. HENRY. The time to prepare for unemployment is when you have little trouble along that line. I agree. But what I said relative to an inopportune moment is this: I do not mean to delay this question for another few years, but perhaps present circumstances would change after the turn of the year. It would be more opportune to consider this legislation after the turn of the year than at this particular time.

Certainly, a few months will not mean a great deal.

Secretary VINSON. Well, of course, that—

Mr. HENRY. You might avoid that one argument that is constantly appearing here at this meeting.

Secretary VINSON. I am not charging you with this because when I used to be up here on the Hill, I thought the time to pass legislation that I was interested in was as quickly as possible before I lost the vote.

Mr. HENRY. I was quite disappointed last night when the President made some reference to the dilatory tactics of this committee. I have been giving this my very best attention and I have been hoping all the time we could hear from the members of the President's Cabinet. The opportunity has been furnished them to appear here. This is the first week we have heard any of them. I just can't help but feel that was a little bit unfair on the part of the President, because the public has drawn the inference that this committee is opposed to the passage of this bill and we are doing all we can to delay and obstruct.

I cannot speak for the entire committee but I know that is not true in my own case, and I naturally was disappointed when that inference was made.

Secretary VINSON. I am glad to hear that. I take it the hearings shortly will draw to a close. If that is true, why wait until after the first of the year?

Mr. CHURCH. It is well understood that Mr. Henry and others of us have been attending these hearings since last August. We have been diligently listening to witnesses so no member of this committee has been lax.

Secretary VINSON. I am glad to hear that. Why delay this until after the first of the year?

Mr. CHURCH. Why delay until we heard you today?

Secretary VINSON. But this is October 31. You have November and December until you get to January.

Mr. CHURCH. Who would delay?

Secretary VINSON. Ralph, you are an old-timer. You know all the tactics, fellow. Don't kid me.

Mr. CHURCH. The President's own Cabinet members I am afraid are guilty of that delay.

Secretary VINSON. I do not think so.

Mr. HENRY. I do not yield any further.

Mr. Secretary, you would agree with me, would you not, that we would not have completed our work in taking testimony on this important proposed legislation had we failed to call such high-ranking officials as the Secretary of the Treasury and the Secretary of Commerce and such men as that, so that when the President did leave these people with the feeling that we had done some wrong here, you cannot blame me for feeling as I do about it, can you?

Secretary VINSON. I do not blame you at all, Congressman.

Mr. HENRY. That is all.

Secretary VINSON. But from your own lips came a statement about putting it off until next year—it may be other folks are in the same frame of mind. The President is anxious to get action on it.

Mr. HENRY. My only thought in postponing action on the part of this committee until after the turn of the year was that by so doing we would not perhaps have to meet these arguments that we have heard here today, and which we have heard all during these hearings—that there is no unemployment. We cannot furnish the help now for the jobs that are available.

Secretary VINSON. I think you would probably have to wait a considerable time to hear that, in view of the additional men coming out of the Army and that sort of thing. Then the same argument could be made in January.

Mr. HENRY. During the war laboring men have worked hard and put in long hours.

Secretary VINSON. Yes.

Mr. HENRY. Denied themselves vacations. They have made a lot of money and they have saved it. Now, when the war is over and the patriotic duty no longer exists, they are out of work and they are not anxious to get back into work. They are going to take a long-awaited vacation. I think the time is coming soon after the turn of the year when these men will want to go back to work. They will get sick and tired of laying around. That is my own theory. That is all. Thank you.

Mr. BENDER. This morning when I questioned the Secretary, I quoted the majority leader of the Senate, Mr. Barkley. I since talked to the gentleman I was to see and he said that this quotation was carried pretty generally in the press. He gave me the exact quotation which I would like to have in the record. After the bill was acted upon favorably in the Senate, Mr. Barkley said:

The bill as passed guarantees every man who is out of work the right to look for a job and to take one if he can find it.

Secretary VINSON. That is somewhat different from the quotation of this morning.

Mr. BENDER. It is? I think it is just about on the same level. "The bill as passed guarantees every man who is out of work the right to look for a job and to take one if he can find it."

Mr. MANSFIELD. Do you take issue with him on that?

Mr. BENDER. I do not want that kind of a bill.

Mr. CHURCH. Mr. Secretary, you will recall I said some members of the committee were opposed to the Senate bill. They want the House bill.

Secretary VINSON. Yes.

Mr. CHURCH. Therefore, we naturally wanted to ask some questions on the House bill.

Secretary VINSON. All right, Ralph; fine.

Mr. JUDD. Mr. Secretary, if any of my questions were asked while I was out, please skip them. I want to say first, that you have made the most convincing statement that has been made by any witness at any time for this bill.

Secretary VINSON. Thank you.

Mr. JUDD. You have not completely satisfied my doubts, but for the first time you have frankly met two or three questions which have been uppermost in my own mind, particularly this one I have asked of a good many witnesses—what they thought the effect might be on our economy if the President in the national budget he submitted to the Congress were to predict hard times ahead as far as private industry is concerned, and make recommendations for increased expenditures to meet them. A man in the advertising business said to me yesterday, "If the President made such a statement as that, we would have a 25 percent cut in our advertising overnight. If he said we will have to bolster with Federal spending the predicted slump, at least a fourth of my advertising contracts would be cut down."

I have fears that a pessimistic forecast would inevitably cause people to hedge, thinking, "If we are going to have hard times, we must not expand our activities or give more employment. If any-

thing, we must cut down a little bit." Such a reaction would increase the danger of the very unemployment we are trying to avoid. You discussed that question in your statement, the first time anybody has. You feel that would not be the effect. The economics of it might be that we will make up enough expenditures and investment from the Federal Treasury to offset that which will be lost from private sources. That might be the economics of it, but nevertheless, people do not always act according to straight economics. They act also according to their fears and habits and traditions. I fear the psychological effect of an unfavorable forecast might be to precipitate the one thing above all that the bill seeks to avoid.

Secretary VINSON. Take your advertising man. He is in good faith when he makes that statement?

Mr. JUDD. Yes.

Secretary VINSON. I have no doubt of that. Let us assume nothing is done about it and you are on the skids.

Mr. JUDD. You are what?

Secretary VINSON. You are on the skids. Your national income is going down. Nothing is done about it. Certainly his advertising is going to be cut. Then it goes down farther and he cuts his advertising more. He may be hurt worse if we get into anything like the depression of the thirties. It just seems to me that the old adage of an ounce of prevention.

Mr. JUDD. Or to change the figure, that he makes an early diagnosis before the cancer is visible to everybody. That is your approach to it. In order to head it off.

Secretary VINSON. Yes; you have a similar situation—I don't know whether it is exactly analogous, or not—with the weather forecast. Suppose you just cut those off because you don't want the farmers to have bad news as to the weather, or as to the season. The farmers benefit in their planning from the information they get, even in rainy weather, even though it is not the kind of news they want to get.

Mr. JUDD. I read your testimony on that point.

Secretary VINSON. It seems to me this bill leads in that direction.

Mr. JUDD. Pursuing the question that the gentleman from Wisconsin just asked—you have been head of the reconversion agency and you are unquestionably as familiar with it as anybody in the United States. As we were told yesterday that the most important thing to cause our economy to function properly was confidence. Would you not say there was, at least until 2 months ago, a very high degree of confidence throughout the business communities in America?

Secretary VINSON. Yes; I would say that there was; and I say there is a world of confidence as to our future economy in the business world today. I agree that confidence is an important thing in our economy.

Mr. JUDD. Do you think there is less confidence in the business community now than there was, say, 2 months ago?

Secretary VINSON. The deep-thinking folks, I could not say. There may be more people who are willing to talk, or indicate that they do not have confidence. Many times they do that for a purpose. You have a battle on the economic front, Mr. Judd. Lots of times that is psychological. Sometimes it is a war of nerves. It is a question of what some folks, maybe patriotic folks actually interested in their own business, and properly so, feel would be to their best

interests, and naturally they think it is in the best interest of economy to squeeze out a penny here and there. I am speaking now to both sides of the argument. I believe that the business people of this country have confidence, and are competent, and with the large purchasing power that is here they are going to have a market for their products for a considerable time. The question of whether it is a period of months or years is rather nebulous and I do not want to forecast on that particular point.

As I visualize this legislation, it is for the long range, when the plush production, as we say in the oil country, goes off and the well needs a pumper.

Mr. JUDD. Would you agree with those who say that reconversion has been set back a couple of months, some say as much as 4 months, by the price uncertainties and the labor disputes and so forth? Would you agree with that? Has our reconversion been set back?

Secretary VINSON. Over-all reconversion?

Mr. JUDD. Yes.

Secretary VINSON. I will say "No."

Mr. JUDD. You would say not.

Secretary VINSON. No; not over-all reconversion.

Mr. JUDD. You think it important to carry on reconversion as rapidly as possible, don't you?

Secretary VINSON. Unquestionably. As I said this morning, I was speaking about that long before the termination of the war with Germany. I know the fears that were voiced at that time. I cannot say that I was oblivious to those expressions. They were talking about a tremendous lot of unemployment between VE-day and VJ-day. There were many fears. It really went pretty smoothly. I realize you did not have the number of soldiers coming back that some had expected, and the war plants had not been closed down completely. But you had a lot of cut-backs. When you had cut-backs, word came to us that so many thousands of people were out of employment. I watched the number who made applications for unemployment compensation. I believe I can say that between VE-day and VJ-day the transition was much smoother than many folks feared it would be. Fear of the new, fear of the unknown is a very powerful motivating force among mortals.

Mr. JUDD. Of course, you have just given one of the strongest arguments for not passing this bill in its present form, because it immediately heightens and produces this fear of the unknown. The bill proposes a brand-new thing in our history.

Secretary VINSON. Unknown to those who have not thought about the problem. It is unknown to those who do not know the history of the twenties.

Mr. JUDD. The problem is not unknown, but the device for handling it is new. Is that right?

Secretary VINSON. Yes; I would say it was, although the Economic Stabilization Board with the original provisions had more teeth in it. I don't want to be misunderstood. I would like to see reconversion proceed full speed because the battle against inflation can only be won by production.

Mr. JUDD. That is right. Every person here is conscious of that. Therefore, I want to get to the question I have been driving it. Do

you think passage of this act at this time will encourage men to go back to work earlier? Or perhaps cause them to take a little longer vacation and thereby further delay reconversion, giving them the belief that there will be full employment later? If they were not sure of that, would there not be a tendency to say, "I better get a job while they are available and not take a chance on something after a while."

Secretary VINSON. That is a debatable question. I don't like to be dogmatic but really I think it will help.

Mr. JUDD. You think it will encourage them to go back to work?

Secretary VINSON. I think it will not only help them to go back to work, but I think it smooths the road toward better management-labor relationship.

Mr. JUDD. If it encourages them to go back to work promptly when they have assurance there will be plenty of jobs later, that would be contrary to the usual psychological reaction, would it not?

Secretary VINSON. If they realize what this measure is they will know it is not going to be in immediate operation. I don't know when the President would submit his national budget, nor could I express any views as to its contents.

Mr. JUDD. You say if they understand what this bill really does they would not expect immediate results. But if they heard only the President's speech last night they would feel the country's difficulties are largely due to alleged procrastination in this committee, would they not, and more listened to his speech by the million than will understand what is really in this bill?

Secretary VINSON. I don't believe the charge of procrastination goes to the understanding of what the content of the bill is.

Mr. JUDD. The President said, "Full responsibility for delay was on the shoulders of the Committee on Expenditures in the Executive Departments."

Secretary VINSON. I do not think that goes to the question of whether they understand the content of the bill.

Mr. JUDD. What difference does alleged delay make when the bill if passed today could not go into immediate operation? In any case, I am sure they feel Congress is to blame for whatever goes wrong and you, yourself, have just said, as you said earlier this morning, that passage of this act would have no immediate effect upon economy as far as dollars and cents are concerned. It might in psychology.

Secretary VINSON. I think it would have a very helpful psychological effect.

Mr. JUDD. But do you know? Can you be sure? On page 1 of your testimony this morning you said, "We discovered as a consequence of all-out efforts, unemployment disappeared. We discovered as a result of the effective use of our resources during the wartime period the real standard of living of the civilian population was higher in 1944 than it had been before the war."

To be strictly accurate would you not have to add after "effective use of our resources" the word "and our credit"?

We were able to use our credit to borrow money up to forty and fifty billion a year. It would have to be that, would it not?

Secretary VINSON. I think resources includes credit.

Mr. JUDD. That sort of resources can be exhausted can it not?

Secretary VINSON. Yes.

Mr. JUDD. And being the Secretary of the Treasury and responsible for the solvency of the treasury and the soundness of our bonds, would you care to suggest how long you think that credit will last if we go on producing full employment and higher standards of living as we did during the war, namely, by employing people on borrowed money?

Secretary VINSON. Of course, I have no such thought in mind, that there would be anything of that kind, Mr. Judd, under any circumstances.

Mr. JUDD. That brings us to section 2E where we make a pledge to "provide such volume of Federal investment and expenditures as may be needed to assure continuing full employment." That says that no matter what our credit is, no matter what our resources are, we pledge ourselves to provide such volume as may be needed. There is only one criterion, the need. There is no reference to resources, no reference to credit, no reference to ability. We say we will provide whatever may be needed.

Secretary VINSON. I have stated before——

Mr. JUDD. You think that is a good honest thing to leave in the bill.

Secretary VINSON. I think that that clause, whatever it is, is——

Mr. JUDD. The Senate amendment that we will provide, consistent with our other obligations and needs?

Secretary VINSON. I prefer that to the other.

Mr. JUDD. No experienced doctor ever makes a pledge that he will be able to cure his patient. He pledges he will do his utmost to cure. But he knows that even a simple cold can lead to complications which can cause the patient's death. Therefore, to avoid any possibility of misunderstanding, I think that and other language must be modified.

Would you have any objection to this sort of modification at the beginning of the bill? It states, "A bill to establish a national policy and program "assuring"—would you object to changing "assuring" to "promoting"?"

If we pledge to do more than our best, we are not honest, are we?

Secretary VINSON. If we do our utmost, we are doing all we can to assure continuing employment.

Mr. JUDD. Would it not be better to say so plainly, then nobody could misunderstand any alleged statement by the President or Senator Barkley?

Secretary VINSON. I am taking your statement. What Congress has pledged to do, what the administration is pledging itself to do, is to do the utmost.

Mr. JUDD. Yes.

Secretary VINSON. I think you have that "to establish a national policy and programs assuring." You cannot do more than your utmost. If the administration, the President, and Congress, do their utmost to assure continuous and full employment that is all anybody can ask.

Mr. JUDD. Then should not we write it that way in the bill? For example, I suggest another amendment over on page 2, line 5, and line 6, if you would like to look for just a moment. It states, "it is the policy of the United States to assure the existence at all times of sufficient employment opportunities," and so forth.

I wonder if you would have objection to its reading, "It is the policy of the United States to do its utmost to assure the existence at all times of sufficient employment." Do you think that change would weaken the bill, sir? I feel it would strengthen it. It would be more candid.

We cannot do more than our utmost and we would not be fooling anybody.

Secretary VINSON. I really believe, Mr. Judd, when I say "It is the policy of the United States to assure the existence"—

Mr. JUDD. You do not think "assure" means guarantee?

Secretary VINSON. I certainly do not.

Mr. JUDD. Some people think it does.

Secretary VINSON. I don't think it means guarantee.

Mr. JUDD. You would not want that amended?

Secretary VINSON. Not under the circumstances.

Mr. JUDD. You would not want the title changed to something like this: "An act to promote full production and full employment," rather than just "Full Employment Act"?

I think that both production and employment should be in there. Even if you leave out "full production," should it not be "An act to promote full employment"?

Secretary VINSON. I do not think the title raises that question. It is only a short-hand title for citation.

Mr. JUDD. If necessary to get it passed, to get votes for it, would you object to such an amendment? Maybe we are funny but some of us just simply cannot conscientiously make what to us is a moral pledge which we are not sure we can fulfill. Would you object to a change like that if it is necessary to get favorable action on the bill?

Secretary VINSON. I don't like to be put in the position, Mr. Judd, of answering that question. I say this in all friendliness—to anybody who has a contrary view, just off the record, it is hard for me to see how folks can get themselves worked up over the title. I am saying that without criticism.

Mr. JUDD. I admit it may be foolish of many people to feel this is a guarantee by the Government. I don't feel that it is. You, yourself, have said it does not guarantee there will be no unemployment. Then why should we take the slightest chance of anybody misinterpreting the legislation and coming to the conclusion it does mean a guarantee there will be no unemployment?

Secretary VINSON. You wrestle with that one and you will come out right. Whatever conclusion you reach in regard to it, in my opinion, you will be right because you will feel that you are right.

Mr. JUDD. I do not want to weaken the bill from its legitimate objectives. I want to accomplish those objectives. But I do not want it misinterpreted as promising something which it does not. I wanted your help as to whether you thought it would somehow divert it from its proper objectives of doing the job, to use your own language.

Secretary VINSON. You might have someone on the committee or elsewhere that might take an opposite view. The contents of the bill is what counts. I am willing from my viewpoint to risk your coming up with the right answer.

Mr. JUDD. Maybe I was trained too long as a physician where we go to jail under the pure food and drug law if we mislabel our

product. Maybe words are used by politicians in a different way than by physicians. I was just asking, in all sincerity, not in the least to embarrass you. As the committee knows, I have asked a dozen witnesses these same questions for their views. I could not vote honestly for it as it is now. I think I could if such changes as these were made. That is the reason I wanted to know if you thought they would weaken the bill.

I want to ask now a question with respect to the amendment which the Senate put in that any program of Federal investment and expenditure shall be accompanied by a program of taxation comprising the year in question and a reasonable period of additional years, designed to balance the additional expenditure. Do you think that weakens the bill?

Secretary VINSON. I am familiar with the language in the Senate.

Mr. JUDD. That is what I mean.

Secretary VINSON. I am familiar with that. I think the job could be done with that. I don't think the tax feature is at all necessary. As a matter of fact, it is an element that will come into the program submitted by the President, and under the House Bill the chairman of the Ways and Means Committee, the chairman of the Appropriations Committee, and 13 other Members of each body consider it. They are on the joint congressional committee. They would determine what their judgment is in regard to that particular phase. It seems to me that is just one of the things that Congress would have to face when it is presented.

Mr. JUDD. It is a recognition now that that would have to be faced then.

Secretary VINSON. And conditions might be such that you would not want to use the tax technique. I think the language is of such nature that you would not have to, if it were not consistent with those conditions. It does not bother me too much. I think it is a lot smoother not to have that included. I am not hot and bothered about it.

Mr. JUDD. That is all I have.

Mr. O'TOOLE. On page 2, lines 3 to 9, my understanding of the Jeffersonian concept of American government is that the Government exists for the people and is their instrument.

With that in mind, I cannot see anything wrong with the Government assuring employment by legislation to the people of the country. Do you feel there is anything wrong in making moral assurance of this kind?

Secretary VINSON. I think you have already got the moral responsibility to do anything that can be done to have full employment. Some folks object to the use of the words "have the right to useful, remunerative, regular, and full-time employment." The Senate changed that and stated, "We are entitled to an opportunity."

I do not think that there should be a guaranty to every man of a job, and I want to repeat again that I do not interpret this bill in any shape, form, or fashion to be such a guaranty.

One of my friends, Mr. Gossett, interprets the bill to be a guaranty. I was compelled to say we were at complete variance.

Mr. O'TOOLE. It is a pledge that the people's instrument, the Government, will do everything in its power to insure there will be no unemployment.

Secretary VINSON. To set up the machinery provided here and do their utmost within the framework of free enterprise and under the conditions that exist to let folks that want to work have an opportunity to work.

Mr. O'TOOLE. That is all.

Mr. RESA (presiding). It ought to be said to you on behalf of the committee that we are grateful for the enlightenment you brought to us today, and it was exactly that. We are grateful to you for coming and for your help. The committee is adjourned until 10 o'clock tomorrow.

Secretary VINSON. I want to express my appreciation for the fine time I had with you today. You have been courteous, friendly, and generous. I appreciate the attitude that my old friends and new ones have shown me.

(At 5 o'clock p. m. the committee stood in recess until 10 a. m., Thursday, November 1, 1945.)

FULL EMPLOYMENT ACT OF 1945

THURSDAY, NOVEMBER 1, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS,
Washington, D. C.

The committee met at 10 a. m., the Honorable Carter Manasco (chairman) presiding.

The CHAIRMAN. The committee will be in order. We have this morning Mr. A. S. Goss, master of the National Grange. You may proceed, Mr. Goss.

Mr. HOFFMAN. Mr. Chairman, I understood Mr. Snyder was coming back.

The CHAIRMAN. Mr. Snyder told me he was called into conference this morning, and asked if he could not be put over until next Monday. I have just received advice that he cannot come next week.

Mr. HOFFMAN. I am not impatient at all, but I am anxious to get some information on this bill, and I am wondering how we can do it when the administration's top men and key witnesses in this matter do not appear before us.

The CHAIRMAN. He is tied up in this labor-management conference.

Mr. HOFFMAN. I appreciate that. I think he should devote his attention to that, but I hate to be pushed around without his testimony.

Mr. COCHRAN. Why don't you make a motion to close the hearings now; I'll second it.

Mr. HOFFMAN. Would you vote for it? You objected to a vote the other day and made the point there wasn't a quorum.

(Discussion off the record.)

The CHAIRMAN. You may proceed, Mr. Goss.

STATEMENT OF A. S. GOSS, MASTER OF THE NATIONAL GRANGE

Mr. Goss. Mr. Chairman, and members of the committee. I appreciate the opportunity to appear before you today. My name is A. S. Goss; I am master of the National Grange.

1. We find a great deal of confusion as to the meaning and purpose of this bill. The fact that there is no agreement as to the meaning should be evidence that the bill needs a thorough rewriting so at least Congress knows what it is passing. A companion bill to H. R. 2202 was passed by the Senate in considerably modified form, but with little if any clarification as to its meaning and purpose, and with some changes which we feel are objectionable.

2. Most of the confusion lies in section 2 in which the stated policies of Congress appear to us to be in conflict.

3. Section 1 is the title only.

4. Section 2 (a) advocates free competitive enterprise.

Section 2 (b) declares it is the Government's responsibility to provide jobs for all able and willing to work.

Section 3 (c) states that full employment is essential to our well-being.

Section 2 (d) declares it is the responsibility of Government to pursue economic policies leading to full employment.

Section (e) declares the Government should provide jobs if unemployment exists.

Section 2 (f) declares that if the Government provides jobs it should be to aid private enterprise.

5. Sections 3 and 4 provide that the President will make a survey of our economic outlook and report to Congress with recommendations as to steps Congress might take to improve conditions or prevent trouble which might be pending.

6. Section 5 provides for a joint congressional committee to study the national budget and make recommendation to the Congress.

7. Section 6 authorizes the President to adjust the rate of Federal expenditures.

8. Sections 7 and 8 are routine procedure.

9. If we could agree on the purposes in section 2, we believe there would be little difficulty in making the rest of the bill workable, for we agree with the proposal for an economic survey and report to Congress with recommendations; we believe the proposed joint committee to be very constructive although some amendment is needed; and we believe in having a stock pile of public works and expenditure projects on hand for use to meet emergencies without delays, although some safeguards are needed as we will suggest.

10. Before suggesting amendments we should first determine what the purpose is. All are agreed that we want full employment, but there are two very different schools of thought on how to obtain it. These different views stem back to basic differences in the theory of government. Some believe that it is the responsibility of the Government to support the people; others that it is the responsibility of the people to support the Government. Some believe that we have reached a stage in the progress of mankind where we cannot consume the goods we produce, and that it is necessary to enter into a program for Government spending in order to create jobs. Others believe that it is entirely possible to develop and maintain a sound well-balanced economy which will normally result in full employment without resorting to unusual Government expenditures except in cases of emergency.

11. These two schools of thought lead in sharply divergent directions. One leads to statism and the other to private enterprise. We cannot travel both roads at the same time. Our first step should be to choose which course to follow.

12. The Grange adheres to the private-enterprise school of thought. Our philosophy is based upon three economic principles which we have come to call "the Grange guide posts." They are:

First, all prosperity springs from the production of wealth, or consumer goods. Stating it another way, any program which retards the production of wealth is unsound.

Second, the compensation of each should be based upon what he contributes to the general welfare.

Third, the prime purpose of government is to protect its citizens from aggression, both physical and economic.

13. We believe in an economy of plenty characterized by ample production, maximum consumption, and the full employment which will inevitably flow from such conditions in a well-balanced economy. The Government's chief role in a free-enterprise system is to see that it is free—that its citizens are protected from physical or economic aggression or interference, so that each may develop his talents in his own way according to his capacity, energy, and ingenuity, just so long as his activities do not interfere with the rights of others. Under such a system America has developed a standard of living so much higher than any other nation in history, that we can see no sound reason for abandoning it. True, many abuses have crept in, but let us find and cure them rather than turn to statism which has no enduring record of success, though often tried.

14. We believe the Grange guide posts are economically sound, and we measure every proposal by the principles therein expressed to see whether or not it rings true. We have followed such a course in considering the bill under discussion and we find much in it which merits support. In some places clarification is needed; in others, weaknesses or defects are revealed for the correction of which we will make suggestions.

15. We believe that with proper controls against monopoly or similar abuses, private enterprise can do the job, but we also believe that it is possible to handicap private enterprise in many ways so that it cannot operate successfully. We believe that the greatest danger in this bill lies in the probability that if private enterprise were not doing the job, the tendency would be to call upon the Government to step in with public works, or other form of public expenditure, rather than cure the handicaps which may have prevented private enterprise from functioning. We believe that, no matter how skillfully we plan, there will be ups and down in our income and employment, and that we should plan so that the Government can step in during depression periods with self-liquidating public works, or some form of public expenditure which will be to the lasting good of the Nation, as a means of furnishing employment, rather than raking leaves or going on the dole. If, however, we do not take adequate steps to see that the maladjustment which brought about the depression is cured, the net result would be that we would drift toward statism and away from that private enterprise which develops individual initiative, and makes it possible for each to receive a compensation in proportion to his individual effort.

16. Our second criticism is that the bill bases its whole program on jobs for the working men, and in its practical application ignores America's largest industry, that of agriculture. While it is true that the word "agriculture" appears once or twice in the bill, this industry in which 20 percent of our people are engaged, and upon the trade from which another 20 percent are directly dependent for a livelihood, is ignored in the actual workings of the bill. It is assumed that with full employment there would be prosperity in agriculture. This does not necessarily follow, and we believe that it is essential to consider the problems of agriculture along with the other problems before prosperity could be reasonably expected.

17. There can be no prosperity for agriculture without full employment. We recognize that as clearly as anyone. In fact, whenever we have had a prosperous agriculture, there has always been full employment. However, full employment does not assure prosperity for agriculture, as was clearly demonstrated in the Twenties when business and labor enjoyed the highest income and the greatest prosperity in the Nation's history up to that time. During that same period, the farmers lost steadily, and it was the break-down in purchasing power of the 50 percent of our people who were engaged in farming, or dependent upon trade for a livelihood, that led the way to the most disastrous depression in our history. It was the failure to recognize this condition, and to provide a basic remedy, which prevented adequate recovery. We are sure that the sponsors of the bill are in thorough sympathy with maintaining a high income for agriculture along with a high income for labor and industry and that the omission is an oversight. It is all the more necessary that this principle be recognized, because the chief cause of the break-down in agriculture income has been the service that agriculture has rendered the Nation in producing an abundance.

18. We are certain that prosperity depends upon abundance, but in our plans we must provide that the purchasing power of agriculture is maintained when we contribute our share to a program of abundance, and happen to raise a bit of surplus. We failed to do so in the twenties, and that is what will happen again, unless definite steps are taken to prevent it. Therefore, we are proposing certain additions to the bill which will recognize the part that agriculture plays in our economy. We are not proposing full legislation in this measure to meet agriculture's problems, but merely that they be recognized as part of the whole picture and that, in the planning, the President present the problem to Congress in his National Budget, along with the problems of industry and labor.

19. We believe that the Government does not owe anyone a living and ordinarily does not owe anyone a job. Through the prevention of aggression, both physical and economic, we believe the Government does have the responsibility of seeing that a free and open economy is maintained under which opportunities exist for anyone to make a living, or either find or make him a job. Section 2 (b) puts the Government in a paternalistic role which we do not feel is justified. It is an expression of lack of faith in a free system under which individual initiative is relied on to develop the opportunities to be found in a free economy, and we believe the wording is such as to indicate to most people that they have the right to look to the Government for work, even if opportunities for self-employment might exist around them. If there are no opportunities, we think the Government has the responsibility of correcting the economic maladjustment which has resulted in the denied opportunity and, in the meantime, public expenditure should be used to provide the job, but we think it is a mistake to develop a policy under which everyone will look to the Government for a job at the least provocation. We have all seen plenty of cases where men with good income have caroused around and wasted their money only to find themselves broke when their income stopped. We don't believe the Government owes such a person either a living, or a job whenever he wants it.

20. We have faith in the possibilities of a self-supporting economy. We believe that a nation which has learned to produce the enormous wealth per capita which we have demonstrated can be produced, can certainly learn to consume what it produces, and learn to keep its economy in balance. It ought not to be as hard to effect an adequate method of distribution of wealth we produce when we are enjoying plentiful production, as it is to distribute that wealth when we suffer from scarcity. We may have to overcome selfishness and greed through the prevention of economic or physical aggression, but really this should not be as hard a job as to learn to produce everything we need. In other words, we have faith in developing individual initiative and enterprise. There are certain types of activities in which the Government can engage, which will help to foster and develop individual initiative and enterprise, there are other types in which it may have to engage in order to prevent aggression, and the Government should stand by to help its citizens in case they are the victims of aggression, but let us not encourage people to lean unnecessarily upon the Government. It is a self-reliant citizenry which has built America, and we believe we should do our utmost to protect and develop self-reliance among our people.

21. Now, turning to the bill itself, we feel all the talk about free enterprise is in conflict with the declarations that the Government will furnish jobs for all. Either we believe that free enterprise, if really kept free, will keep our economy in balance, with the maximum production upon which prosperity depends, or we believe that free enterprise can't do the job and that the Federal Government will have to step in and provide jobs. We cannot see any halfway about it. If the Government steps in and provides jobs, that makes fewer jobs under free enterprise, which in turn makes more unemployment, more Government jobs, and so on, until we develop complete Government operation. Government operation often promotes unemployment rather than cures it.

22. It may be pertinent here to remind ourselves that practically every nation in the world suffered from the effects of the depression which followed the last war, and that of them all, the United States spent the most public expenditures trying to get ourselves into economic balance again. We failed. In fact, we were the last one of the major powers to get out, and it was not until a threatening war brought up our production of goods that we really made progress. It is easy to make the error of putting a thousand men under public employment and driving a like number out of private employment. Unemployment and destructively low price levels are not the causes of economic trouble, but, rather, the results of maladjustments. The trouble may arise from an unsound tax law, or tariff policy, or discriminatory freight rate, or monopolistic control of essential industries, or it might be something wrong in the field of labor, such as work slow-downs or stoppages, union membership restrictions, jurisdictional wastage; or, in the field of agriculture, restricted production or the piling up of surplus products may be a cause of trouble. Unemployment is the result of something wrong. The first task is to find what the trouble is. Public expenditures are justified only as an expedient until the basic trouble is located and fixed.

23. We recommend that section 2 be eliminated, then that the succeeding sections, which provide the working parts of the bill, be

amended so that they speak for themselves. In the Senate committee we recommended a number of amendments intended to clarify section 2. We don't believe the amendments which passed improved it much, if any. The same conflict still remains. The one amendment upon which chief reliance was placed, which provides that every proposal for public expenditure should be accompanied by a tax plan designed to prevent any increase in the national debt, is nullified by the clause "without interfering with the goal of full employment." In addition to this, old-age pensions were added, and a policy to control our foreign trade was thrown in for good measure.

24. We would like to see a straightforward, clear-cut bill authorizing the studies to be made, the economic budget prepared and laid before Congress with recommendations including a plan for meeting emergencies, but we deplore legislation which cannot be understood or which would substitute Government operations for private enterprise.

25. If for expedient reasons it seems necessary to devote one section of the bill to a statement of policy, we urge that the statement be so clear-cut that none will fail to know what it means. We suggest that it might be expressed in one paragraph:

All Americans have the right to engage in any occupation, business, or enterprise of their choice, which may not be inimical to the interests of others, and it is the policy of the United States to protect its citizens from acts of physical or economic aggression such as may prevent them from exercising that right, and to foster ample production of consumer goods under conditions which will result in maximum consumption, so that those who have their schooling, and do not have full-time housekeeping responsibilities, and who are able to work and seeking work, may have an opportunity to engage in useful, remunerative, regular, and full-time employment. It is the responsibility of the Federal Government to pursue such consistent and openly arrived at economic policies and programs as will prevent monopoly and encourage returns to its citizens in approximate proportions to what each contributes to the general welfare, as the basic means of securing the highest level of consumption of consumer goods, and personal services, thereby assuring the highest level of employment opportunity through private and non-Federal investment and expenditures.

26. I do not want to leave the impression that the National Grange is opposed to all public works. Quite the contrary, we have been strong supporters of certain kinds of public works, but we believe that each case should stand on its merits and, generally speaking, should be based on what a healthy economy can afford, rather than on some program of making work to keep our people employed.

27. Summing up, we believe the fullest employment, and the maximum of production and consumption, are obtainable under private enterprise. That is the true measure of prosperity.

28. We heartily approve of the purposes of section 3 under which the President shall submit a national budget to the Congress. This to us should be the heart of the bill, for it is through this legal means that we take steps to muster all our resources to meet the Nation's needs. This makes the bill very much worth while, if the effort is kept practical. However, we call attention to the fact that in election years the new President does not take office until 2 or 3 weeks after the Congress has convened. Under the provisions of section 3 (a) the outgoing President would have to submit the budget for the incoming administration. The incoming President should be given enough time to act. We suggest that section 3 (a) be amended to read as follows:

Within 30 days after the beginning of each regular session, or as soon thereafter as practicable, the President shall submit to the Congress the national production and employment budget, * * *

29. Because we feel it essential that the part that agriculture plays in our national economy be considered in the make-up of any production and employment budget, we recommend a fourth subsection to section 3 (a) enumerating the things which the President shall set forth in such national budget, reading as follows:

(4) The estimated volume of farm and fisheries production, and prospective domestic and export consumption thereof, with estimates of price levels necessary to render returns to the producers sufficient to maintain standards of living (a) consistent with the labor and investment used in the production thereof, and (b) such as may reasonably be expected under conditions of full employment.

30. Subparagraph (c) of section 3 ignores the necessity of corrective legislation. In order to avoid this we recommend that line 21, page 5 be amended to read:

(c) To the extent, if any, that any suggested legislative action or such increased non-Federal investment and expenditure * * *

31. To cure the defect of ignoring the effect of agriculture on our whole economy we recommend a new subsection to section 3, following line 16, page 6, as follows:

(d) If the prospective price level of the products of agriculture and fisheries may prove insufficient to render an income as defined in subsection (a) (4) of this section, the President shall include recommendations designed to bring the income of producers of agriculture and fish products up to levels consistent with a full employment program.

32. We do not think that the submission of the national budget at the beginning of each regular session is sufficient. Present subsection (g) beginning with line 17, page 7, grants permission to the President to transmit further estimates. We think this should be mandatory and recommend that line 17 be made to read as follows:

At least semiannually, and whenever he deems it advisable, the President shall transmit * * *

33. We heartily approve the use of advisory boards as provided in section 4 (c), for they provide a practical means of keeping administrative officials familiar with the problems of all segments of our economy. However, we believe the provision should be mandatory. It has been our experience that the value of such advisory boards is greatly enhanced if they are provided with resident staff officers to keep in constant touch with problems as they arise. We, therefore, recommend that this subsection be amended to read as follows:

The President shall consult with industry, agriculture, labor, consumers, State and local governments, and others with regard to both the developments and administration of the national budget, and for this purpose may establish such advisory boards as he may deem advisable, and may pay any expense in connection therewith, including the employment of a resident board secretary where advisable.

34. The failure to recognize the part agriculture plays in our economy has been emphasized in section 5. In order to overcome this we recommend the addition of the word "agriculture" after the word "on" in both lines 19 and 23 on page 8, so that the committees on agriculture will be represented on the joint committee.

35. In amending the section providing for a joint committee, the Senate weakened the whole bill by injecting a political set-up: One of the strong features of the committee was the fact that the majority and minority leaders of the major committees concerned with the problem had the joint responsibility of reviewing the national budget, and the recommendations, so there could be no divided responsibility and no buck-passing. The recommendations of the joint committee would be acted on by each House where either party could exercise such party influence as it desired. We greatly prefer the original bill, with agriculture added, to the Senate version.

36. Up to this point the central thought of the bill has been to make an adequate survey and report the conditions to the Congress, so that it could take appropriate action. This places the responsibility on the Congress, where it belongs. Section 6 departs from this basic approach, and instructs the President to make a quarterly study and take what action he considers appropriate. We think the responsibility should be kept in the Congress. We realize that in ordinary times the Congress may not be in session when the President feels that action is necessary, but in such circumstances we believe the representatives in the Congress on the joint committee should pass on any decisions made. We, therefore, recommend that section 6 (b) be amended to read as follows:

(b) Subject to such principles and standards as may be set forth in applicable appropriation acts and other statutes, the President may formulate recommendations for varying the rate of Federal investment and expenditure to whatever extent and in whatever manner he may determine to be necessary for the purpose of assisting in assuring full employment and an adequate price level for agriculture and similarly situated industries, with due consideration being given to current and anticipated variations in savings and in investment and expenditure by private business, consumers, State and local governments, and the Federal Government. Such recommendations shall be submitted to the Congress, if in session, or to the joint committee, as provided in section 5 (a) thereof, if the Congress be not in session. If the Congress be not in session, it shall be the duty of the chairman of the joint committee to assemble the members of the committee within 20 days to consider the recommendations of the President. The President is authorized to put such recommendations into effect unless disapproval within 60 days from date of submission by a majority vote of either House of the Congress if in session, or a majority vote of said joint committee in case the Congress be not in session.

37. The Senate met this issue by eliminating section 6, which would leave the situation as at present. Now the President can use funds when available. It would be preferable if the Congress could authorize projects far enough in advance to get the preliminary engineering work done to avoid delay when emergency arises. At present Congress hesitates about too much forward planning authorization and appropriations. We feel that the suggestion we have made would not only prevent a hasty and unwise use of Federal expenditures, but it will also assure better cooperation between the Congress and the President. The Congress will be much more inclined to provide an ample number of projects for Federal expenditure if it knows that it will have an opportunity to pass upon the necessity of their use. In such circumstances Congress can plan ahead much more constructively.

38. We also feel that this suggested amendment greatly lessens the possibility that such projects might be used for political purposes. No matter what party is in power, there would be a temptation to make use of public funds prior to a general election, either in order

that certain communities might have temporary benefits through the expenditure of funds in that community, or that the whole economy might be "pepped up" temporarily. We feel that this is one of the serious objections to the bill in its present form. But if the Congress, made up of representatives of all parties, or joint committee, in which the political parties have similar representation, had to approve these expenditures before they were made, it would be necessary for the President to present a defensible case justifying the expenditure. We feel that this is very important.

Unless such a safeguard is provided, the whole question of making use of public expenditures rather than getting at the heart of any maladjustment which may be responsible for unemployment might be determined by a President quite contrary to the wishes of the Congress or the policies set forth in the bill. The easiest way to get temporary acclaim, and possibly the easiest way to win an election, would be to spend public money rather than follow the more difficult course of correcting the maladjustments, but section 6 is wide open unless protected by some amendment such as we have suggested, enabling the Congress to keep control of the situation. If the expenditure of public funds is justified it should be borne in mind that the Congress will be just as anxious to make use of this procedure as the President. We do not believe that the restrictions will handicap any justified expenditures but we feel it is essential to prevent the possibility of abuse.

39. One more point before we close. This is not an emergency measure. Quite the opposite, it sets up permanent machinery for the study and investigation with recommendations to be made to the Congress so that it may take well considered rather than hasty action. We have been somewhat concerned by the amount of steam put behind it to pass it in a hurry as a means of meeting our immediate problems of reconversion. I think this has contributed to public distrust and misunderstanding, for unless there is intent to jump into public expenditures before the studies are made, there seems no need for excessive haste. Neither is there reason for delay, for if its purposes are sound we should begin such studies promptly. If amended to make it clear that the purpose is really to strengthen and develop the private enterprise system rather than statism, we believe the bill has much merit. If left as an incentive to rush to the Government for aid with every local economic flurry, we could not support it.

The CHAIRMAN. Mr. Goss, don't you think the President is in much better position to know the needs of the people than is the Congress?

Mr. Goss. Yes; I think he is in better position to know the general situation so far as the Government is concerned, but I don't think he is in a better position to know the needs of the people in all local communities.

The CHAIRMAN. You wouldn't agree, then, to give the President a lump-sum appropriation to start public-works projects when he saw fit, and turn them off when he saw fit?

Mr. Goss. No; I think the Congress ought to have the final decision on the expenditure of money. That, of course, can be accomplished in the appropriation act with each individual bill.

The CHAIRMAN. Your reason for stating that is based on the fact that you believe the Congress is less susceptible to certain pressure than the Chief Executive would be?

Mr. Goss. Yes; that might be one reason. I think the Congress, made up of various parties, would not be inclined to use it politically. The parties would serve to check on one another.

The CHAIRMAN. If the President were given that power to turn on and off the pump-priming program, do you fear that authority might be used in an election year—that they might start a lot of public-works projects that had been held in abeyance in order to encourage the people to go to the polls and support his program?

Mr. Goss. I think that that opportunity would be wide open, and it might prevail. I think, also, that there would be a distinct tendency to turn to public works rather than to get at some economic maladjustment which would be much more difficult to accomplish, but which was really the cause of the difficulty.

The CHAIRMAN. Do you think, if we were to give the President the purse strings in these public works, the authority might probably be used to coerce Members of Congress to support his legislative program by refusing to permit the construction of public works right down the line?

Mr. Goss. I don't know that I would agree with that word "probably," but I would say that it would be possible and it might very well be used. Oh, yes; I would say that over a period of years, it probably would be used by one President or another.

The CHAIRMAN. Instead of tongue lashing, you would really be whipped in a case like that, wouldn't you.

Mr. Goss. Well, it would be a very patent means of getting support for—

The CHAIRMAN. Don't you think we should have some fears about giving authority over our entire economy to the executive department?

Mr. Goss. Yes.

The CHAIRMAN. We only elect a President.

Mr. Goss. I think Congress is the place where the policies of government must be made.

The CHAIRMAN. We only elect a President, but the men who formulate the policies to be carried out under the provisions of a bill of this kind would be the career men, they would be people that you couldn't reach, because it certainly is impossible for the President to know everything that is going on. No man can know everything that is going on. And he must rely on underlings. It would be absolutely impossible for the Congress or the public to get at those people.

Mr. Goss. I quite agree, Mr. Chairman. As I say, we have been strong supporters of the theory that Congress is the place where the policies must be developed. In that connection we have strongly urged that the Congress spend more money in providing itself, or its committees, with capable staffs to help them get the information so that they will be able to get that information from independent sources, and may not have to depend upon career men who may be in Government and who may possibly have some political end to serve.

The CHAIRMAN. Would you advocate that these people be on the congressional pay roll instead of the pay roll of the executive departments, these experts?

Mr. Goss. Absolutely.

The CHAIRMAN. Do you think it is highly dangerous to have people who represent the executive offices to be assisting in shaping legislation, instead of employees of the Congress?

Mr. Goss. I don't want to be understood as saying that I think the executive department is intentionally trying to influence Congress in an unseemly way——

The CHAIRMAN. Not the Chief Executive, but the underlings.

Mr. Goss. But the fact remains that every department under them is made up of men and women whose jobs depend upon keeping their particular activity going, and they do not have the broad viewpoint that is attainable through Congress.

The CHAIRMAN. And they are more interested in their full employment than they are in the full employment of some poor unfortunate worker, or some poor agricultural worker.

Mr. Goss. That is very apt to be the case. I have been on both sides of it. I have been in the Government employ and know how we get a tendency to feel we know more about it than Congress does.

The CHAIRMAN. I read an article the other day that said the so-called bureaucrats know more about the needs of the people that Congress does and should be given more power.

Mr. Goss. I don't agree with that. I am a great believer in keeping our Government as close to the people as we can, and while it is true that in a department, such as we had in Farm Credit, we did know more about certain phases of the problem than the committees before which we appeared, that it is also true that the Congress knew more from the people than we were able to get in Washington. I don't believe that you can run this Government entirely from Washington.

The CHAIRMAN. Have you ever known of a Government agency that planned itself out of a job?

Mr. Goss. I can't think of one right now.

The CHAIRMAN. That deliberately planned itself out of a job.

Mr. Goss. No.

The CHAIRMAN. Isn't it your experience that most of them can find some very important useful work in our system of Government to continue that agency?

Mr. Goss. There is no question but what the majority of them find work which they feel sincerely justifies carrying out.

The CHAIRMAN. They are convinced in their own mind.

Mr. Goss. I think so.

The CHAIRMAN. Don't you have that same fear about this bill; if we give the Federal Government, Congress as well as the executive department, complete control over the economy of our country—don't you fear that we will build up a system of control over every breath that is taken by our citizens which will eventually lead to a totalitarian system of government?

Mr. Goss. With the amendments suggested, I don't think the bill would do that, Mr. Chairman.

The CHAIRMAN. Of course, I like one of the amendments you suggested very much. That is on page 4, paragraph 25. If we were to pass anything, I think that is all we need pass, because I think the President already has the authority to transmit the budget.

Mr. Goss. I think he has authority to transmit the budget, but Congress would express its desire that the economic study be made and laid before him, and if that economic study came before the joint committee, made up of the chairmen of the minority ranking members of the major committees that would have to do with the economic

problems, I think it would be very, very helpful to the Congress, and I cannot see any possibility of dictating, if it is so handled.

The CHAIRMAN. Of course, the joint committee is composed of the busiest men in both branches of the Congress. Don't you think that the presiding officer of each House should be given the opportunity to appoint some men without any restriction?

Mr. Goss. I am sure if that is done you will find that it will be given a political turn. The Senate, as you know, put in an amendment which provided that the committee should be representative of the major parties.

The CHAIRMAN. I would suggest representation from both parties, that the minority leader name the members from the minority—

Mr. Goss. Well, that might work. I hadn't thought of that. But what I think a committee of this kind should do is to provide itself with a staff of statisticians and economists so that they can thoroughly analyze any budget that the President would submit, and that analysis would be the analysis of men and women selected by Members of the Congress and in the employ of the Congress. Then I think you would have an independent look at whatever is presented to him. It is a great step forward in looking toward those economic forces which are more or less of a mystery to us and which, if under control, determine whether we are going to have an economy of prosperity or whether we are going to go into adversity.

The CHAIRMAN. Couldn't that be done now, by providing cooperation to the Appropriations Committees to review this budget?

Mr. Goss. I don't think so. I think that we cannot put our whole economy in the hands of the Appropriation Committees, in the hands of any one committee—Appropriation or any one committee—that could determine what expenditures should be made to meet this whole economic situation. It is just too complex, and that is the reason I like to see representatives of these major committees sit in on this whole program. Then they recommend to the Congress, and of course, it finally goes to the Appropriation Committees. But I don't think that any of us have had a broad enough view of our economic situation. That is what I like about section 3.

The CHAIRMAN. Of course, the Appropriation Committees could disregard everything that has been recommended.

Mr. Goss. They could, sure; that is the right of Congress.

Mr. HOFFMAN. Are you in very close touch with the State representatives of the Grange?

Mr. Goss. Well, I guess I am. I don't know just exactly what you mean.

Mr. HOFFMAN. You hope you are, anyway?

Mr. Goss. We hope we are.

Mr. HOFFMAN. And through them, with the local officials in the communities?

Mr. Goss. We try to keep in pretty close touch. Of course, we have 8,000 of those locals. I can't say I know them all, by any means.

Mr. HOFFMAN. One difficulty some of us have here is in getting at the facts as distinguished from propaganda. Do you know whether in Michigan there is unemployment, other than in the cities where war contracts have been canceled?

Mr. Goss. The reports I get from the rural sections of Michigan are to the effect that they have had no unemployment; they have had very great difficulty in the last few months in getting farm help.

Mr. HOFFMAN. Right through last summer?

Mr. Goss. They have had difficulty in the last 3 or 4 years, great difficulty, but it has been more pronounced in the last 2 months than at any time in the last 3 years.

Mr. HOFFMAN. The reason I asked that is when I have been home complaints have come to me not on account of lack of jobs but lack of workers.

Mr. Goss. That is correct.

Mr. HOFFMAN. How widespread is that throughout the State?

Mr. Goss. It is not only throughout Michigan but pretty much throughout the United States, particularly in the fruit and vegetable section.

Mr. HOFFMAN. There has been another line of complaints; farmers have wanted to make repairs to their buildings, and were unable to get help—masons, carpenters, painters.

Mr. Goss. That is correct.

Mr. HOFFMAN. That actually exists, does it?

Mr. Goss. Very decidedly.

Mr. HOFFMAN. Now, I saw a statement from a man named Stokes—his articles appear in the Washington Daily News. Have you seen those? He has been traveling about the country reporting on this unemployment in different sections.

Mr. Goss. No; they have not been brought to my attention.

Mr. HOFFMAN. The other day I put one in the record, I think from up in Bridgeport. Then last night, I think there was one from somewhere in Michigan. And his analysis of it seems to disclose that while there is unemployment, there are also in those same places where this unemployment exists, plenty of jobs that are not taken by those who are unemployed. You haven't noticed that?

Mr. Goss. Well, we have many reports from our rural sections that they cannot get men, although there seems to be men in our larger cities who have refused jobs. In fact, two surveys were made; one in California and the other one, I think, in Michigan. In California, the organized fruit packers sent men out to the line where the most of the cars go to the east and stopped every car and asked if they were interested in work. They had just under 2 percent of those who had left industrial employment that accepted farm employment. The other tests—I can't say for sure, but think it was in Michigan, the figure was 1.6 percent. They didn't want farm work. So we have found ourselves very seriously handicapped in getting enough men to harvest our crops.

Mr. HOFFMAN. One of these articles to which I refer was from Michigan, and I think last night there was a report on Willow Run, where he stated that some thirty thousand were discharged because of cancellation of war contracts, but that almost all of them had gone back to the States from which they came, because—well, he gave several reasons—I mean he repeated several reasons which were given by those unemployed. Some of them said that in the community they were regarded as hillbillies, although they had the same degree of education,

respectability, and everything else the local people had. Nevertheless, they were called hillbillies, and were not taken in and treated as were the local residents. Another was that they had a job opening up to them in their home States. Still another was that they had been receiving far more in their pay envelopes than they did in previous periods in their lives, and being motivated by the same desires and ambitions as are all of us, they hated to take less money. That is what he reports. What is your comment on that situation?

Mr. Goss. The surveys we made bear that out pretty well. There were a great many of them that had come from Oklahoma and the Central West, where they had lost practically everything they had during the depression, and they were going back with money and they expected to pay off mortgages, or buy a farm and settle down.

Mr. HOFFMAN. Or go into some small business, some of them.

Mr. Goss. Most of them going into small farms. We found a very large percentage of them in California; not so much in this eastern survey. I am not sure, but I think the eastern survey was in Michigan. We found a great many were leaving because they expected there would be a great surplus of labor around Willow Run, as an example, and they did not anticipate that there would be work there for them. They thought they would go out and get located while the locating was good. A great many were leaving because of inadequate housing and inadequate school facilities, and they were going back home.

Mr. HOFFMAN. And that was another reason.

Mr. Goss. The tendency was to a distribution of the concentrated labor, which looked pretty good to us, except those people did not want to go back to the farm work. They all said it was too hard.

Mr. HOFFMAN. Can you, in 50 words, perhaps, tell us why they don't want to go back to the farm?

Mr. Goss. Oh, there are a good many reasons. In some places farm wages are too low, but in some places, particularly in Washington, where they can't get them to take jobs, although they can earn as much as \$25 a day, they didn't want to go into the work, because of the long hours and hard work—longer hours than they had been used to. I think farm work is harder than almost any other type of work now, and you can't help it very much; you can't regulate the hours. When the old sow gets ready to have pigs, you must be there.

Mr. HOFFMAN. And the cow must be milked.

Mr. Goss. You have to be there. The hours are irregular and tough. I think it is harder than most other work.

Mr. HOFFMAN. And you can't step out and go to the motion pictures, or you can't go to a dance or to the beer parlors conveniently. You can't have the same kind of a bath tub.

Mr. Goss. Yes; and from the farm standpoint, we haven't provided as adequate housing as we should, in many instances; and the wages have been lower; and we haven't been able to provide that housing or pay the wages because we haven't been able to get the prices. I think the whole outlook of agriculture, however, is for higher wages on farms, with prices that will make it possible to pay those wages and maintain our fertility and give better conditions. The farmers don't want cheap labor; they want prices which will enable them to maintain good labor.

Mr. HOFFMAN. When I came to Washington I found that there is a disposition on the part of some folks here, and some folks speaking

over the radio and writing for the papers, to bemoan the fact that, in their opinion at least, the farmers are having a hard time of it—he is not up to snuff from a cultural standpoint, and he is lacking in this and that. Then I also learned, when this war came on—and I learned this from the armed force themselves, that when they wanted soldiers they really looked for farm boys. All these apparent hardships which the farmers have been forced to endure in the past years, did they, in your opinion, unfit them for fighting the country's battles? Was it a detriment to them?

Mr. Goss. Of course, you are asking a prejudiced witness. I don't think there is any life for bringing up a good American citizen that compares with life on a farm, where they have to learn to produce for themselves, do for themselves, and gain self-reliance.

Mr. HOFFMAN. Then there are some advantages to these hardships?

Mr. Goss. Oh, yes; we are strong supporters of farm life, but there are just as many differences between farmers and farmers as there are between a bum on the Bowery and the President of the Chase National Bank. There are all kinds of us, and there are lots of places where farmers are suffering under great adversity, and there are lots of places where they are suffering from poverty. But there are also lots of places where they have educational advantages and home advantages which I wouldn't trade for anything in the city anywhere.

Mr. HOFFMAN. If it wouldn't be out of place—and I haven't anything to sell—over in Berrien County and in the other counties in the Fourth District you will find that situation; a nice big farm, with a farmhouse with all modern conveniences, and a steady income.

Mr. Goss. Berrien County is one of the finest places in the country.

Mr. HOFFMAN. There are a few places outside the cities where it is worth while living. Now, we are given another reason. He said that many of these people who wouldn't take jobs, and had recently lost their positions in the factories, held themselves out to be, and really thought they were, skilled workers, just because they had been operating the machines and working in the war industry and receiving anywhere from \$1.50 to \$2.50 an hour for their services.

Mr. Goss. We find a good deal of that, the farm boy, or possibly the city boy, that had entered a war factory without any skills, had acquired skills in making airplanes or tanks and had acquired a position where he had a good income, and naturally he didn't want to go back to the lower income he had before. There is lots of that.

Mr. HOFFMAN. Isn't it true that the more typical American workers went into the industrial centers during the war and received these high wages and saved their money and are now going back to their old homes and the vicinity of their old homes and reestablishing themselves?

Mr. Goss. I don't know that I could answer that, Mr. Hoffman. A great many of them are, but whether the old-time Americans are I can't tell.

Mr. HOFFMAN. I am prompted to ask that question by the fact that I know of cases in my own district where they had what they call Arkies; I suppose some call them hillbillies. Anyway, they came from over in Arkansas, and a number of them started to work at 20 cents an hour on a farm, which was connected with a manufacturing plant and also with a canning plant, and I personally know that some of those young men who started in at 20 cents an hour are now draw-

ing high wages. There always is a future, I think, for the man who wants to work and who has a little ability. Many of those people are staying with us. Do you not find that some of these workers do settle down in these communities and eventually get farms or businesses for themselves?

Mr. Goss. Of course, my contacts are not in the communities where they have been making \$2 an hour. My contacts are with the country and on the road to the country. We found a great many of them that have lost a \$2-an-hour job and were going back to the farm, realizing that the days of the \$2-an-hour job were over.

Mr. HOFFMAN. They are buying farms, some of them?

Mr. Goss. Some of them are buying farms, some are paying off a mortgage, and some of them are going back to pa and ma to help them out. We found a great many of them had saved their money and were going back to agriculture.

Mr. HOFFMAN. Doesn't the situation lead you to the conclusion that the door of opportunity in this country is still open to the fellow who wants to work?

Mr. Goss. Yes; I think it has been, but we must face this: We have learned to produce 50 percent more goods than we could 5 years ago. We can't produce those goods unless we learn to consume them, and the only way we can consume them is to have enough income so that we can buy them and consume them.

Mr. HOFFMAN. In addition to the income, we have to have the use for the goods.

Mr. Goss. We have to have the use for it, and I am a great believer in the economy of plenty. I think there is room to consume those goods. It will depend upon how widespread our income is, and I know pretty much what the workingmen are thinking today. They think they have got to keep jobs, and we know they have got to keep jobs. We know there has got to be full employment if we are to be able to consume this 50 percent increase in production.

Mr. HOFFMAN. Don't you find this difficulty? I had it put up to me by workers in Detroit. I asked some of them, "What are you fellows striking for; you made plenty of money?" Two of them expressed the same reason that was given by Secretary of Labor Schwollenbach the other day before the Labor Committee; they said—and he said the same thing—"Well, we have been working a long time pretty consistently, long hours and difficult work, and we are tired, and we want a little vacation." And two of them added this: "We want an opportunity to spend our money." I said, "Can't you spend it; isn't there plenty of opportunity in Detroit?" They said, "Oh, yes, beer parlors, dances and shows, and high-priced merchandise." But one of them wanted to improve his home; he wanted to put in some extra fixtures—a radio and things like that. The other wanted to build a home. Neither one of them could do it today because of either a scarcity or Government restrictions. Have you been around out in the country or in close touch with your State or county divisions? I want to know if you don't agree with me that it is almost impossible—at least it is in Michigan—to get the lumber and the materials and the labor to build or repair a home, even if a man has the money.

Mr. Goss. There is no question about it, we are very short of materials. I think there is a great opportunity for months ahead.

We will have the same serious bottlenecks, and those bottlenecks will have to be opened up. We have a bottleneck in the construction industry in brick.

Mr. HOFFMAN. We have one in shingles. I have a letter this morning from Texas. They put a ceiling on shingles down there, and this gentleman from Texas says they cannot make their shingles. What is the use of trying to provide jobs when the people are ready to give jobs, many of them, but can't because of Government restrictions? They can't go ahead and make brick or shingles. The bottleneck there is the price.

Mr. Goss. That is right.

Mr. HOFFMAN. In clothing it is the price again, the price regulations that have been put on by OPA. The CIO was over here in the room right next door awhile ago, with 500 members, protesting to the Smith committee, that they were going to be out of jobs because of the OPA regulation on clothing prices. Haven't these Government regulations had as much to do as anything else with our unemployment situation?

Mr. Goss. I don't want to say anything about the OPA, but our position is this, that the price must be such as will permit the cost of production with a margin sufficient to enable the producer to continue in production. We have felt and have discussed continually with the OPA, that in some instances the prices do not conform with that rule and would have to be modified to conform with that rule. I am hoping they are on the road to doing that. One thing is sure, the construction industry and one or two other industries cannot be developed until they break some of these bottlenecks—lumber, shingles, brick, tile, and a few others.

Mr. HOFFMAN. I am making this personal reference because the whole national picture is nothing but a multiplication of our personal experiences, and I know this, and I am not the only one. I have attempted to get flooring for a store building, which I could rent if I could get the floor in it. I can't find a man to cut the logs and saw them in order to make that flooring, nor can I get a man to lay that flooring. Why? Because there is no one who wants to do the work, regardless of the price. Why is that? It is because of Government restrictions, and because of the higher wages which have been paid in the factories during the wartime.

Mr. Goss. Frankly, I think those are problems that the Congress ought to be able to deal with, that committees like your committee, and every other committee, needs the research and the facts laid before them from your own independent sources, so that you can determine the policies and tell the OPA what they should do when they are making mistakes.

Mr. HOFFMAN. We heard a similar story from Mr. Elliott, a member of this committee, and also from Mr. Church, and Mr. Gibson, the other day. We get it all the time in our letters. All those things lead me to wonder whether it is so necessary that we get out here a bill planning for public works.

Mr. Goss. As I have tried to say in my testimony—

Mr. HOFFMAN. You said it was neither a question for extreme haste nor a question justifying delay.

Mr. Goss. That is right. As I was trying to point out, the strength of this bill lies in getting facts before the Congress that the Congress can deal with and look into the future, so far as it is humanly possible,

then having the committee of Congress set up so that it can work. Then if we do need something to meet an emergency, the stock of work will be available. But Congress should say when it should be used. That is our picture of the value of a bill of this kind.

Mr. HOFFMAN. What you think we should have is a plan to which we could turn in time of need and put into operation in a manner which will not waste public funds and will be of some public benefit?

Mr. Goss. Yes, and, in addition to that, I think the Congress should have always before it a look ahead, as far as we can, in these economic studies. I said a few moments ago that I didn't think any of us had taken a broad enough picture of the whole economic situation, Congress, or the administration, or anybody else, and I can't see anything but good which would come out of the Budget, if it was submitted to the proper committee and then that committee make its recommendation to Congress, but I certainly wouldn't tie the hands of Congress. I would leave the responsibility right there. That is where it belongs.

Mr. HOFFMAN. The other day we passed a bill appropriating millions or more, wasn't it, for airfields, and we have a highway bill now under consideration.

Mr. COCHRAN. It was for \$650,000,000.

Mr. HOFFMAN. On page 2 you say:

We should plan so that the Government can step in during a depression period with self-liquidating public projects.

By that do you mean toll roads, or toll bridges, or do you mean worth-while and useful?

Mr. Goss. I mean useful, worth-while public works, making them self-liquidating when you can. Frankly, our organization is in favor of the St. Lawrence development, for example. I don't want to get into an argument with your committee on that, unless you want to, but that is one of the type of things we feel could be used.

Mr. HOFFMAN. Would you call that self-liquidating?

Mr. Goss. I think that would be a self-liquidating public works.

Mr. HOFFMAN. I regard self-liquidating public works like the one represented by the turnpike in Pennsylvania, where they charge you so much when you drive on it.

Mr. Goss. That is one.

Mr. HOFFMAN. I think that is fine, but when they build a building just to have a Federal building for looks, a building they don't need—

Mr. Goss. I think self-liquidating is one of the objectives we should try to attain.

Mr. HOFFMAN. Here is a sentence that I can't quite understand. Would you explain it to me?

It is all the more necessary that this principle—

I suppose that is the principle of high income for farmers?

It is all the more necessary that this principle be recognized—

What principle is that?

Mr. Goss. Maintaining high income for agriculture along with the high income for labor and industry.

Mr. HOFFMAN. Yes.

because the chief cause of the break-down in agricultural income has been the service that agriculture has rendered the Nation in producing abundance.

Mr. Goss. What I mean is this: Agriculture can never adjust its production so that we have just enough and not too much. If we are going to have abundance, we are going to have surplus.

Mr. HOFFMAN. I see.

Mr. Goss. And under our system of marketing those surpluses have driven our prices down to ruinous levels, and it may be a surplus of only a very small percent. What I aim to point out is that because we have supported an economy of abundance, that we ought not be penalized for it. I know what you are going to say. You are going to say, "How about killing off pigs?"

Mr. HOFFMAN. No, no. I was thinking of that when Wallace was talking the other day, but they wiped it out.

Mr. Goss. Our particular organization has not supported that type of agricultural program. We believe in an economy of abundance, but we believe in taking care of that surplus so that it doesn't bust us.

Mr. HOFFMAN. I was going to ask you about subsidies right there.

Mr. Goss. We are opposed to subsidies. Direct subsidies, we think, are iniquitous from every angle. You opened up a big subject, Mr. Hoffman.

Mr. HOFFMAN. I don't want to go along with it.

Mr. Goss. When we start on that, I don't know when to stop. One of the gravest dangers of subsidies is, once they start, they are awfully hard to get rid of, and I think that is true of public works; once you start using public works, unnecessarily, it is very easy to keep them going.

Mr. HOFFMAN. Did you see the editorial in yesterday's Saturday Evening Post?

Mr. Goss. No.

Mr. HOFFMAN. Well, the writer there makes this argument, I would like to know what you think about it. He says that when you start a public work it doesn't end the unemployment situation, it merely tides the thing over, and perhaps it leads some of the workers there to be less anxious to get new jobs than they would have been if they hadn't had this temporary employment.

Mr. Goss. I tried to point out that there is a grave danger in it, that public works are only justifiable to meet an emergency.

Mr. HOFFMAN. And only that.

Mr. Goss. And only that.

Mr. HOFFMAN. And they are not a cure.

Mr. Goss. Unless they are what a healthy economy can afford.

Mr. HOFFMAN. I think that is all.

Mr. WHITTINGTON. Mr. Goss, I am very appreciative of your statement. I think it is helpful and constructive, and I hesitate to ask you questions, because the other members of the committee and I personally feel it is well for the junior members of the committee first to ask the questions rather than the senior members. While you are here, having high regard for your views, I think we ought to develop one side of it—and I read your statement before the Senate Committee on Banking and Currency, and heard your statement this morning. I am bothered about the so-called budget reporting in this bill, and I am bothered about it because my view is that that budget is based upon section 2, which you suggested be eliminated, and that that budget overlooks the primary causes of these periods of depression, economic de-

pression or economic disturbance, and while I think the President should make reports, I am not altogether sure whether that budget would be helpful. For instance, I have in mind that it requires a report on the people at work, a report on the total amount of private expenditure. I think it is a lot more easy to make a forecast of public expenditures than it is private expenditures, because private expenditures are governed by the market in many, many cases, as both you and I know, being interested in agriculture, so that my view is that this so-called budget is almost impossible if not too restrictive.

And I have the further thought that in addition to the advisory committee, that there should be established a permanent committee, say of four or seven members, to advise the President as to economic trends, as to employment, as to the causes of the temporary or permanent dislocations, and that the President would have the benefit of this permanent agency, nonpolitical, to advise him as to the maladjustment, as to the readjustments, public and private, as well as the amount of public works temporarily required; and that that permanent committee would not only be at the service of the President in regard to the formulation of what I would call his report, but would be at the disposition of this joint congressional committee. I would like you to think of that a little further, and if you have any supplementary suggestions, I would like to have them. I think the budget is entirely too restrictive and does not go to the root of the trouble.

Mr. Goss. I think if it is too restrictive, it ought to be broadened, because the purpose of the budget is clear. If the set-up is not such that it carries out that purpose, the set-up ought to be changed.

Mr. WHITTINGTON. It only has to do with the planning without correcting the cause. That is one of my great objections.

Mr. Goss. I would agree with you, Mr. Whittington, that the budget preparation should be such as to get at the causes.

Mr. WHITTINGTON. We should have that in mind.

Mr. Goss. I would be very much in sympathy with that.

Mr. WHITTINGTON. I would like you to think about that, because frankly, that bothers me about this bill. I yield to Mr. Resa for the purpose of questioning. I think you have made a worth-while and constructive suggestion by striking section 2 and making a substitute for it. I think that is along the lines of our evident thinking. I think section 3 ought to be a report of the President, and if you call it budget, it ought to be enlarged so that it includes not only recommendations for spending but to correct the dislocations that causes the necessity for the temporary spending.

Mr. Goss. I don't like that word "budget" very well, because I think that gives you a little wrong slant on it.

Mr. WHITTINGTON. And then in the fourth place, as I see it now, unless there is a better recommendation, I favor a permanent board or permanent commission, composed of economists, experts, people who represent the people generally, to advise the President and this congressional committee as to the causes, so there will be a correction of the causes of this temporary spending.

Mr. Goss. That sounds good, offhand.

Mr. WHITTINGTON. You think about it, and if you have any further suggestions, make them.

Mr. Goss. I think Congress ought to have its own source of advice under its own control.

Mr. WHITTINGTON. I can see your viewpoint, but I don't believe it would be a bad idea for the President to submit his report and the reports of this committee to the Congress so that we can take a look at the reports made to him. In other words, the criticism now is that we have deficit spending because we don't know who is advising the administration about it. Let us come out in the open and let Congress have the benefit of all the information the Executive had when he asked us to make deficit spending. If you have any further suggestions along that line, I would be glad to have them.

Mr. RESA. I have a few questions, Mr. Chairman. Mr. Goss, in paragraph 16, on page 2 of your statement you say:

Our great criticism is that the bill bases its whole program on jobs for workmen and in its practical application ignores America's largest industry, that of agriculture.

What do you think ought to be done for agriculture in a bill of this kind?

Mr. Goss. I think that the President ought to include in this so-called budget his recommendations with reference to agriculture as well as to industry and labor.

Mr. RESA. What do you think those recommendations ought to be?

Mr. Goss. I wouldn't try to define them any more than defining industry and labor. The point is that the bill tells the President to make his recommendations for industry and labor. It doesn't tell him to make it for agriculture. We want him to make it for agriculture, too, because we don't think you can have a sound economy and leave agriculture out.

Mr. RESA. Essentially agriculture is engaged in two things is it not—raising food for those who do not raise their own food and producing materials used in manufacturing?

Mr. Goss. That is right.

Mr. RESA. If all the people in this country who do not raise their own food are fully employed, what other economic circumstance would be necessary for the prosperity of agriculture?

Mr. Goss. I think that can be illustrated by what happened in the 1920's—

Mr. RESA. Pardon me. I have very little time, and I don't care for illustrations. I am asking you for a simple direct statement on what other circumstance would be necessary for the prosperity of agriculture.

Mr. Goss. You would need some sort of legislation to take care of surpluses which might exist for one thing.

Mr. RESA. What would that be?

Mr. Goss. It might be one of eight or a dozen different things, depending upon the commodity in which the surplus existed.

Mr. RESA. Don't you think that it is the responsibility of agriculture to gage its operations so that these surpluses which constitute a burden on the governmental machinery and the Treasury of the United States could be avoided?

Mr. Goss. I don't think that is possible. We planted exactly the same acreage of potatoes this year as we did last year and we get 70,000,000 more bushels. That 70,000,000 bushels, if we don't have legislative help, could drive the price down to where it would cost every man who raised potatoes more than he got out of his potatoes.

Mr. RESA. What would be the legislative help that you would suggest in that situation?

Mr. GOSS. In the case of potatoes I think our Marketing Agreements Act should be extended to the case of potatoes, but that wouldn't apply to eggs, it wouldn't apply to some other things. There are various helps that would be dependent—

Mr. RESA. Specifically what should be done to cure the situation arising in agriculture from the fact that it has produced too many potatoes?

Mr. GOSS. I think that we will have to have a Marketing Agreement Act, and we probably would have to have some assistance for taking care of the surplus—

Mr. RESA. What would be the nature of that assistance?

Mr. GOSS. I think probably a matter of credit. You are asking a rather concentrated question, when we have got a good many thousand crops that all require different treatment. It is a very complicated question which cannot be answered in just a few words.

Mr. RESA. Do you think the Government could adopt a policy of going to the rescue of agriculture in the case of a surplus, by any of the measures which you have in mind, without coming just as close to statism as you suggest it comes by this bill?

Mr. GOSS. Yes; I think it could be done and keep private enterprise in complete control.

Mr. RESA. How would that be done?

Mr. GOSS. I can't see any approach to statism in the Marketing Agreements Act. I can't see any approach to statism in the equalization fee. I can't see any approach to statism in entering into a commodity wheat agreement with other nations to prevent the market being destroyed for producers of wheat all over the world.

Mr. RESA. Then, Mr. Goss, I assume that I am to infer your definition of statism from the fact that you see no statism in the things you have mentioned?

Mr. GOSS. In the marketing agreements, and so forth?

Mr. RESA. That is all. The meeting is adjourned until tomorrow morning at 10 o'clock.

(Whereupon, at 11:30 a. m., the committee adjourned to Monday, November 5, 1945, at 10 a. m.)

FULL EMPLOYMENT ACT OF 1945

MONDAY, NOVEMBER 5, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS,
Washington, D. C.

The committee met at 10 a. m., the Honorable Carter Manasco, chairman, presiding.

The CHAIRMAN. The committee will come to order.

Mr. COCHRAN. Mr. Chairman, before we start: Last week the gentleman from Michigan, Mr. Hoffman, referred to an article by Thomas L. Stokes, and I was much impressed by what he said. That very evening Mr. Stokes had another article in the Washington News in which he analyzed his finding on his trip from the New England States to Chicago. If there is no objection, I would like to have that article included in the record.

The CHAIRMAN. Without objection, it may be so included.

(The article referred to and submitted by Mr. Cochran is as follows:)

PIECES DON'T FIT

(By Thomas L. Stokes)

CHICAGO, November 1.—A first-hand check on reconversion and related problems in our major industrial area from New England to this Midwest center offers convincing evidence that this country is up against a major task in fitting the pieces back together if there is to be anything approaching full employment.

It is going to take real planning, not only by the Government but by the local community and by the individual business, as well as some original thinking and fresh ideas. For it is not a simple problem.

It is complicated by a new concept—the goal of “full employment” which we have set for the first time. That has perhaps a deeper meaning than is realized. Its full significance strikes you when you see the army of unemployed already piling up, recognize the capacities of many of them, look at the jobs available, and consider, additionally, the swelling flood of released war veterans, about 80 percent of whom did not have regular jobs before.

In the past, even in times we thought of as highly prosperous, there always was much marginal unemployment. There were people, sometimes in substantial numbers, who did not fit into the existing business and industrial pattern, or did not seek employment.

In the war practically everybody who could work was employed. Because we got full employment then, in almost the exact sense of that phrase, we determined to do that in peace.

It's not nearly so easy.

Many people, of course, have left or will leave the labor market. This includes many women, many older people, and many youngsters. There is no way of telling how many this will be. But it is also indicated that many who might normally be counted as extra, but were drawn into the labor market by the war, are going to stay.

This is true among women. It is also true of men over 45, some of whom had been out of work for a long time. Thus far reemployment is getting back into the old pattern in respect to these two groups. They are, in short, being rejected.

It is obvious, if we propose to utilize these people, our basic program must be expanded and liberalized.

There is, at the outset, the natural and expected expansion of established industries. Inquiry reveals a large volume of such expansion planned, not only by plants, but by railroads and public utilities. Some already has begun.

There is the utilization of war plants as another market for jobs. But where there is one example, as at Willow Run, there are many other plants still idle and without prospects. It is going to take some enterprise and ingenuity and daring to utilize these plants if we are to get full employment.

Many cities are putting on campaigns to attract industry. In Massachusetts, Joseph P. Kennedy, one-time SEC chairman, is crusading up and down the State in behalf of getting new industries.

But, if the unemployed are to be absorbed, such campaigns must create new industries, not just move old ones from here to there.

It is a big job of readjustment, readjustment of ideas, readjustment of the whole approach in industry and labor.

It won't be done by just hoping that everything will come out all right. Here and there some forward-looking people in industry and labor are conscious of the problem. But it will take more interest by more people.

The old formulas won't work here.

We have set ourselves a new goal.

The CHAIRMAN. We have with us this morning our colleague, Hon. Jerry Voorhis, of California, who wants to make a statement on the full-employment bill.

**STATEMENT OF HON. JERRY VOORHIS, A REPRESENTATIVE IN
THE CONGRESS OF THE UNITED STATES FROM THE TWELFTH
DISTRICT OF CALIFORNIA**

The CHAIRMAN. Do you have a prepared statement, Mr. Voorhis?

Mr. VOORHIS. No, Mr. Chairman.

Mr. Chairman and gentlemen of the committee, I view this bill, first of all, as a statement of policy on the part of the United States. In the second place it seems to me that it is a general over-all framework of procedure whereby that policy can be implemented with the final decisions being left obviously to specific congressional enactment in the future in accordance with the wisdom of whatever Congress happens to be serving at that particular time.

The central purpose of the bill, as I see it, is to state that it is the policy of the Congress to pursue a policy in which there shall be in the Nation opportunities for employment for those people who are ready and willing and able to work. I do not believe that we can afford, if we are concerned about the future of our country, to say less than that today.

There has been a good deal of discussion about whether or not Congress should guarantee the right to employment. I have never understood the bill to carry any implication that it was guaranteeing to any individual any right that he could demand in law from anyone, or any guaranty that any individual would have any particular job. If we go back to the Declaration of Independence we will find that in that document there is the statement that there are certain inalienable rights of men. It seems to me that this bill has the same general connotation as those great pronouncements that have been made in the past about what the obvious rights of men were; and in this day and age I think that one of the rights of men is the opportunity to earn a living.

I would like to point out that as the world is constituted today the American system of life and government and economics finds itself

in the sharpest kind of competition with other systems. We may well face that fact. We may well realize that ultimately the decision on the part of the peoples of the world as to whether they want to go in the direction of freedom or whether they want to go in a direction opposite to that, will be determined by whether or not a free system can offer a reasonable enough degree of economic opportunity and security so that the choice will not lie between freedom with insecurity, on the one hand, or submission to governmental dictatorial control, on the other, as the only means of achieving security.

To my mind the central purpose of this bill is to try to take a step, and an important one, as I see it, along the line of establishing in America a system of life and government wherein there can be both freedom and security. I believe that returning servicemen are going to be pretty pragmatic in their judgments and their attitudes. I believe they are going to judge our work largely by what actually happens to them; not by what we say, but by what their experiences actually turn out to be.

Democracy, after all, is the child of hope; and dictatorship is the offspring of despair. By that I mean that democracy only flourishes in its full flower under conditions where the people of the Nation feel that there is hope for a brighter future.

This bill does two things: First of all, it declares a policy. It declares it to be the policy of Congress to take such measures as may be necessary to maintain a national condition in which there will be opportunity to develop or find jobs by all who are willing and able to work. It provides for a national budget, which is, first, the best forecast that can be made and, second, the best outline that can be given to the scope of the problem in connection with the general national economic picture. That implies a certain responsibility on the part of Government for employment. By that I do not mean at all a responsibility necessarily for Government to give employment. I mean a responsibility on the part of Government to cooperate with all elements in the Nation in bringing about a condition in which employment will be available and possible.

This national budget obviously is not going to be one that will be perfect. It cannot be. Nothing in a democracy is perfect. No problem in a democracy is ever solved perfectly. It will be the best estimate that the President can make in the picture by the forecast of future economic conditions; and thereafter the Joint Committee of Congress provided for in the bill would proceed to a consideration of that budget and to an appropriate consideration of the types of measures that that committee believes ought to be reported to the two Houses, or at least considered by the two Houses, as a means of meeting the situation.

I am quite frank to say, Mr. Chairman, that it is my judgment that it is too much to expect that private industry can provide full employment for our people. I do not believe, in the first place, that private industry is set up to do that kind of a job. In saying that I do not mean that I do not think that all the jobs could be given by private industry, because I think they might well all be given by private industry, and the closer we approximate that situation the better, in my judgment. But what I do mean is that to expect private industry in America to assume a responsibility for employing all the people who

are ready and able and willing to work is not in accord with the fundamental structure of industry.

In the Senate hearings on the bill a man from St. Louis, Mo., by the name of Mr. F. R. von Windegger, who is president of one of the largest banks in that city, made this point, I think, very clear. He said [reading]:

The most enlightened business leaders today acknowledge that business alone, in this machine age, cannot furnish full employment to all those able to and seeking work. In fact, it is recognized that that is not the main purpose of business. Its main purpose is to make a profit. The furnishing of employment is incidental to the main purpose and dependent on the profit. Therefore, full employment being necessary to the continued existence of our economic and political system, and necessary for the general welfare, it becomes incumbent upon the Government to take whatever steps are necessary to fill the gap left by private enterprise. Under our present system, the only way to raise the necessary funds is by taxes or borrowing.

The question before this committee, as I see it, is, briefly, this: Will we, as the Congress, assume to take our share of the responsibility for creating this climate, if you will, or the conditions in the country which will make it possible for jobs to be available? The bill is very clear that it is its purpose for those jobs to be available in private industry rather than on Government pay rolls. And yet a great many people are opposing the bill on the ground that they believe they know what measures will be taken to maintain higher national production and employment, and because they do not like the measures that they believe will be taken. I would like to point out, in the first place, that it is within the power of Congress at any time to decide what those measures will be.

I do not believe that the bill as written, particularly as passed by the Senate, presupposes any particular kind of measure, such as deficit spending for public works to fulfill its purposes. The bill lists many fields of legislation in which Congress may be called upon to take action. I shall not read them, because I know the committee is more familiar with them than I; but they are on page 3 of subsection (d).

I would like to take a couple of minutes, if I may, to indicate some of the approaches to this problem which might well be taken and to show that under deficit spending when reliance upon public works is necessarily going to be, or necessarily needs to be, the answer.

I will preface this by saying that, in my opinion, public works should be deliberately used for the purpose of stabilizing employment in the construction industry, and I believe, furthermore, that public works should be prepared ahead of time and, where necessary or useful to the national economy, should be able to be undertaken as soon as any serious drop in employment in the construction industry appears, instead of waiting until we get into the depths of a depression in that industry.

Going back to the theme that I spoke of a moment ago, in the field of taxation alone a great deal might be accomplished in the direction of bringing about full employment. We have yet to attempt in any vigorous manner the application of the principle of incentive taxation to our tax structure. How far that might go in increasing employment opportunities I do not think anyone knows. But what I believe we do know is this, that to gear the tax structure in the direction of making the tax burden fall upon idle funds and easing it upon

active employment getting investment as a policy of government, might have considerable effect. But I am also quite convinced, as the result of rather intensive study that I have given to the monetary and fiscal field, that the very first step to be taken in that field might well be an adaptation of the tax structure so as to discourage the keeping idle of a portion of the Nation's lifeblood, which is the circulating medium of exchange.

I believe that there is another avenue that might be taken quite as well as this one. Incidentally, I do not believe any one kind of measure is going to be sufficient nor that it would be at all wise in a democracy to rely upon any one kind of measure.

Let us suppose that the bill were passed and enacted into law; what would the situation be then? The President would present his budget. Let us assume that it would show that there were 10,000,000 unemployed. I might point out that if that were to be the case in the next few years, in all probability a very high percentage of those 10,000,000 unemployed would be men who have fought in this war. What would we do under those circumstances? It seems to me that opposition to this bill would imply that we were going to take no direct responsibility for that situation. Gentlemen, I do not believe we can take that point of view. I do not think we can afford to take that point of view from the standpoint of the protection of the basic American institutions to which I believe we are all devoted.

If we tried to say we were going to take no constructive steps such as are contemplated in this bill, where would we wind up? We would wind up, it seems to me, inevitably in the very place that some of the opponents of the bill say they do not want to wind up, namely, we would get to the point where Members would be getting up on the floor and saying that hunger is not debatable, that we have to have a relief program, and we would have a direct relief program with another WPA. It is to avoid that, as I understand the picture, that this bill comes here, and it certainly is to avoid that that I have asked for time to come before you this morning.

It is true, and I will clearly recognize it, that there is another school of thought which under this situation would simply propose that we should run a governmental budget deficit and use the money on public works; and that would be pretty near all that they would propose. In my judgment, that would be a mistake almost as serious as the first one, thought not quite. I think public works have their place, because I think that certain public works are necessary to the functioning of our economy and the protection of the welfare of the people and to a better opportunity for private enterprise. For example, I happen to believe that in fields of industry like the generation of electric power, where all industry needs to use that power and where all consumers need to use it, there is a very good case to be made for measures to be taken to see that that basic necessity of our industrial life produces in the maximum needed quantity and at the lowest economically sound cost. But I think that the purpose of public works should be not primarily an employment-giving purpose, but rather a purpose of doing the job that they are intended to do, and that they should be undertaken at times when they can contribute to a leveling out of employment rather than at times when we already have perhaps the danger that we will overexpand the construction industry.

What would Congress do if the bill were passed and if it were found that there were 10,000,000 unemployed? What measures would we take under this bill? I ask you to consider for a moment what has been the great failure, so far, in the industrialized nations of the world so far as maintaining a continuous situation of reasonable prosperity and employment of the people are concerned. I submit that that basic failure has been the failure in any such great industrial nation at almost any time to enable its own people to consume in proportion to production. Even the war was not exception to this, because at that time half of the production of America was devoted to the war. At other times there has been a shortage of buying power which has lain at the root of the failure of the market and, hence, the inability of our industries generally to keep going; that failure of the market displaying itself first, perhaps, in one or two lines, notably in agricultural products, sometimes; at other times in industrial products. Then, like a row of blocks that a child knocks down, it affects all the other industries in the country.

In my judgment, if the nations of the world wanted to do the one thing that would be the best guarantee of our peace in the future, aside from the control of atomic energy, that one thing would be to make an agreement among themselves that never again would any of those nations permit a situation to arise where their own people were not possessed of sufficient buying power to purchase what that nation might produce if it had full employment of its people. That is altogether possible.

The key to full employment, in my judgment, is the constant maintenance of buying power equivalent to the power to produce. And this can be achieved, Mr. Chairman and gentlemen of the committee, by measures which do not add one jot or tittle to the actual economic power of to the actual economic activity, even, of the Federal Government, if you want to do it that way—in other words, by a combination of wise tax policy coordinated for economic purposes, plus a scientific monetary policy which would relieve the Nation of the necessity of paying interest upon its own credit when that credit needed to be put into circulation in connection with a system of social-security benefits broad enough to include not part of the population, but the whole population, and not to cover them for protection in the prime of life or for relief, as ordinarily known, but rather to protect the entire population against certain inevitable exigencies of life, such as old age; a social-security system that board, financed by taxation in times of prosperity and with the out-payment maintained at a stable level in time of declining market and declining employment, but maintained by securing the funds from other sources than taxation. Such a system, if broad enough, could give a means of stabilizing the buying power of the Nation from time to time, and could be a backlog quite as effective as public works to prevent a spiral of declining buying power in terms of threatening depression.

Mr. RICH. You speak of raising the money by some means other than by taxation. Will you enumerate the ways in which you could raise that money?

Mr. VOORHIS. The way I would raise it, Mr. Rich, is this. I would say that as long as we had a condition of reasonably full employment in the country I would raise all the money by taxation. I would, in

fact, if there were any threat of inflation taking place, raise more than enough by taxation—a thing which I think is one of the outstanding failures of the Congress during the war period. In times when there was a threat of a decline of employment, or a threat of a decline in purchasing power, or a threat of a decline in the market for goods, I would reduce the taxes; and if I had my way, which I might or might not have, I would credit the money necessary, without debt or interest charge, against the production which otherwise was going begging without a market. I would credit it on the books of the Treasury like the tax revenue and put it into circulation in the payment of social-security benefits or old-age pensions, or whatever you want to call them. If I did not have my way I would still prefer, under those circumstances, to see the taxes reduced temporarily and to see the Government borrow money at the lowest possible rate of interest for that period of time, securing it from sources where the money would otherwise lie idle. If coupled with the kind of incentive tax program that I was talking about a moment ago, it should be possible to secure those funds for a very, very nominal rate of interest.

Mr. HOFFMAN. And pay what with it when you got it?

Mr. VOORHIS. I would use it for the payment of a portion of the old-age pensions or payments to widowed mothers with little children, or for any other purpose that the social-security program covered. Thus you would get an adjustment whereby you would have a net increase in the available purchasing power by means of a reduction of the taxes for the time being.

That kind of scheme, operating solely, as you can see, in the monetary and fiscal field, is at least one to be considered by the Congress in case this bill is passed; and I give it to you partly because I happen to believe in it myself and partly in order to indicate that having passed the bill it does not necessarily follow at all that the only approach to the unemployment problem would be a deficit spending public works approach.

Along this line I would personally feel that some consideration might be given also to the testimony that I gave you a while ago from Mr. von Windegger, of St. Louis, which bears upon the point I just made. Mr. von Windegger said in part—and you remember I referred to him as the president of one of the biggest banks in St. Louis [reading]:

There is now about \$90,000,000,000 of the Federal debt held by the commercial banks. You all know that the principal circulating medium of this country consists of checks drawn against demand deposits in commercial banks, and that those deposits, rightly or wrongly, are founded on debt, either public or private. * * * After 40 years in the banking business, my conscience cannot be reconciled to the fact that for the sovereign people to have money with which to do business, some or all of the people must go into debt.

I agree with that testimony of Mr. von Windegger very heartily, and would only like to submit that here lies a field in which in consideration of the full-employment problem a good deal might be done; and I would like to further point out that had we taken such measures before the war began, we would have \$90,000,000,000 less debt than we have today. I believe that the Gordian knot that ties up the supply of buying power today needs to be cut.

Mr. HOFFMAN. Is that statement in the hearing?

Mr. VOORHIS. It is in the Senate hearing.

Mr. HOFFMAN. His whole statement?

Mr. VOORHIS. Yes; from which I have only read a portion.

I would like to conclude by asking the committee to consider what the situation may be if, as a result of the release of atomic energy, it becomes possible for atomic power to be applied to get the work of America done. Believe me, gentlemen, if and when that time comes, I say we shall have to have some basic approach to this problem of unemployment, or we shall find this scientific advance on the domestic scene—I am not now talking about the international problem at all—we shall find this scientific advance which should bring the greatest era of happiness and prosperity to the people that has ever been dreamed of before, turning into an era of confusion and frustration with the possibility of its benefits never getting to the people because we have not had the intelligence to see that out of a vast increase in productive capacity there must be generated a corresponding increase in consumer purchasing power on the part of the people. If we fail to provide for that at that time, it will mean economic disaster, not to the common people of America, not to you and me, but to every business in this Nation.

It is to forestall that situation as well as to meet the present one that I hope the committee will favorably consider this legislation.

Now, Mr. Chairman, I would like to conclude by saying, so that I will not be misunderstood, that having said all that I have about the other approaches to this problem besides the public-works approach, I have no hesitation in saying that it will be a great deal better to keep the returning veterans employed on public works than to have them not employed at all, and that we had better consider most of all the fact that if America can provide a reasonable security of opportunity to our people within the freedom which she affords to her people in distinction to the fact that many other peoples in the world lack that freedom almost completely, it will mean that the American system will offer an appeal to the rest of the world which will be irresistible, whereas if we fail to provide that reasonable security the choice might be the same choice that had to be made, and as I believe, was wrongly made, by the people of certain nations which embraced dictatorship. I want the American program of life and government to be one which can win on its merits in every part of the world; and I believe the key to enabling it to win on its merits lies in the approach that is embodied in this bill and in the type of thing that Congress would obviously have to do to implement it.

It would like to say this, that the passage of this bill will not give America full employment. Everybody knows that. The passage of the bill will only state the policy and set up the basic machinery for trying to enable Congress to have the information upon which, in its wisdom, it can attack the problem.

Mr. COCHRAN. I might say that Mr. von Windegger is the president of the Plaza Bank in St. Louis. I have known him for a long time. He is as liberal a banker as I know of in the United States. He appeared before the Senate Committee on Banking and Currency, and sent a copy of his remarks to every Member of the House.

It is clear, Mr. Voorhis, that you have given a great deal of attention to this subject, more than the ordinary attention of a Representative who is not a member of the committee that is considering it. I

think that you have given some very constructive suggestions, which I appreciate. Of course, as you say, this bill does not guarantee jobs. It lays down policies, and the first policy is to give private industry, free enterprise, the opportunity to do the job without the Government's stepping in. Your feeling, as I understood your statement, is that in the event something occurs which is disturbing to the Nation and the Government must do something to alleviate unemployment, you want the Government to have planned and be ready to meet the situation?

Mr. VOORHIS. That is right. I want it to be ready even when we have a boom on. I want it to be considering the problem in periods when there appears to be reasonably full employment in existence, because I think it is quite as important to prevent wrong forces to operate as it is to try to pick up the situation after the bottom has dropped out of it. Certainly we ought to be ready to move with dispatch in case of a threatening decline in business activity and employment. We ought to be ready to move with dispatch and not to wait until we have 15,000,000 people out of work. In that event, even the expenditure of vast sums of Government money may not be enough to pick up the situation.

Mr. COCHRAN. Do you feel that the Government is going to receive full cooperation from private industry?

Mr. VOORHIS. Let me first of all answer that question generally, if I may. I think that every group in America—and by that I mean industry, labor, agriculture, and everybody else—should recognize the fact that they as a group have a responsibility not only to the welfare of their own group but also a responsibility to the welfare of the Nation as a whole.

I will be very frank in telling you that at the moment I do not think there is as much cooperation from any place as is going to be needed if we are really going to meet this problem. I think that one reason is that in the mind of private industry, to take that as an example, there is a feeling that if the Government does anything it is going to be bad for business; that if the Government attempts to pursue any kind of a program it is going to interfere with business and get on business' toes. I believe that business, theoretically, at least some branches of it—and I do not mean all of it by any means—would like to see every kind of governmental activity abandoned and removed.

Mr. COCHRAN. Even control over their activities that might be unethical?

Mr. VOORHIS. Even to the extent of control to prevent monopoly from gobbling up every chance the little businessman has to operate.

Mr. HOFFMAN. Just whom are you speaking about there?

Mr. VOORHIS. I was speaking about monopolies. I did not have anybody in particular in mind. I said that I thought there was in the minds of some groups in industry the idea that any type of governmental action was undesirable.

Mr. HOFFMAN. Would you mind naming the group? I would like you to put your finger on the ones who are doing those things.

Mr. VOORHIS. I am not going to name any individuals.

Mr. COCHRAN. I asked my question because a situation has just developed that clearly indicates to me that at times private industry is not

going to cooperate with the Government. It has come to my notice—and I might say that it is not hearsay, and I am going to cite you one example—that since the passage of the tax bill, which has not as yet been signed by the President, knowing that bill contained provisions for the repeal of the excess-profits tax in January, there are certain big corporations in this country today that have ceased to take orders for delivery during November and December; they will take orders as of January, this because they are in the excess-profits-tax brackets now, and if they take orders and make delivery during the months of November and December they would not profit as much as they will for the same article when the order is taken as of January or February and delivered as of January or February. They came right out frankly and stated that they would take orders as of January but not as of November or December.

There is an indication that private industry is not cooperating at the moment with the Government or even with its customers. They are not shutting down; they are not discharging any of their employees; they are keeping their production up, so that they will be able to dispose of their products at a greater profit after the end of the year.

Mr. RICH. If you were in the automobile business and the Government was getting 95 percent of what you received, and you could take orders now or delay until January, what would you do? I just ask you, what would you do?

Mr. COCHRAN. If I had a sound business and had a large surplus and had made a lot of money during the war, I would go along just exactly as I had been going along. Practically everyone has a sound business today, especially the big ones.

Mr. RICH. When they are confronted with a 30-percent increase in wages which might be retroactive, and when they are getting 5 percent of what they earn, you would go along?

Mr. VOORHIS. May I speak to that just a moment, because I think I can clarify my own position and perhaps contribute something.

I think that to do the kind of thing that Mr. Cochran has mentioned, regardless of the ethics of the situation, is obviously a serious matter, from the point of view of the country as a whole. That is one of the reasons why I felt that it was unwise to repeal the excess-profits tax all at once. But, needless to say, Mr. Rich, if that point of view is to be understood, the one which you have just mentioned on the part of industry, then certainly the point of view on the part of the labor group or the farm group which attempts to increase its income can equally be understood; and I think that what you have just said is an illustration of the basic truth of the quotation which I read from Mr. von Windegger to the effect that you cannot expect industry to take primary responsibility for full employment; that if industry is going to pursue its own self-interest, which is to be more or less assumed, then if there is to be an opportunity to work for the American people, the Government has a function to perform in connection with it.

Mr. RICH. Mr. Cochran was criticizing business. You have got to know the conditions before you criticize any industry. You have got to know all the conditions which that industry has to face before you should criticize some man for doing a certain thing. In my own industry we are selling everything we can sell right now; but if I

wanted to do just what the gentleman from Missouri [Mr. Cochran] was talking about, I could do the same thing, because you know you are going to get more profits by waiting until next year.

Mr. VOORHIS. And the reason you do not do it is because you believe it is your patriotic duty not to do it.

Mr. RICH. We are still under the War Production Board and they tell us what we can make.

Mr. VOORHIS. Even if you were not, I would venture the guess that the gentleman from Pennsylvania [Mr. Rich] would go ahead and run his plant properly, because he would feel that thereby he could make a contribution to the national welfare.

Mr. RICH. I am only human, the same as anybody else. When a man is in business today he has got to take chances and he has got to have some leeway to operate his business and do it honestly and honorably.

Mr. VOORHIS. Of course; and the best guaranty you can have against loss would be some measures taken by the Government which would assure you that the market for your commodity was not going to collapse in the future. That is the whole burden of my lay here this morning.

Mr. COCHRAN. I want again to thank you for your statement, but I want the other members of the committee to have an opportunity to ask some questions, so I will recognize the gentleman from Michigan.

Mr. HOFFMAN. Did I hear right when I thought I heard you say that business either could not or would not furnish the jobs?

Mr. VOORHIS. What I said was that to expect business to take primary definite responsibility for full employment was unreasonable, so long as we operate on the American system of industry; that business was in business for the purpose of making a profit; that employment was therefore incidental to its operation, and not primary; and that if any responsibility for the over-all employment opportunity of the people was to be taken by anyone, it had to be taken by Government.

Mr. HOFFMAN. Then your answer, briefly, is that in the future we cannot rely upon private enterprise to furnish the necessary jobs?

Mr. VOORHIS. That is not quite what I said, Mr. Hoffman.

Mr. HOFFMAN. Then I misunderstood you.

Mr. VOORHIS. I think I made it quite clear in my statement that it was altogether possible for Government to pursue policies which would make all employment private employment. I am not saying that the jobs cannot in overwhelming proportion be private jobs, least of all that I would not want them to be private jobs; but I am saying that in the absence of a worth-while and farsighted government program to create a situation in which there will be opportunity for private business to give employment, you cannot place primary responsibility upon business to give the employment on its own motion.

Mr. HOFFMAN. What you were saying and what the record will show you said, in substance, was I think, that we could not expect private enterprise to assume the responsibility of furnishing employment in the future?

Mr. VOORHIS. Furnishing full employment to all people ready and willing to work, without certain assistance on the part of the Government.

Mr. HOFFMAN. Just why do you fear a depression?

Mr. VOORHIS. For the same reason that everybody else that studies the situation fears it.

Mr. HOFFMAN. Just tell me, if you will, why you fear it.

Mr. VOORHIS. I will be glad to. Historically, in the absence of effective means of controlling the inflation and deflation of purchasing power in the country we have had alternate periods of prosperity and depression. At the moment we have a situation where there is a very considerable amount of stored-up buying power distributed, unfortunately, only 7 percent to the mass of people generally, the other 93 percent either to financial institutions or people in the higher and middle brackets of income. We therefore have a situation where there will be a great demand for certain types of goods for a period of time.

Mr. HOFFMAN. Because the individuals have so much money?

Mr. VOORHIS. I explained that individuals generally in the lower-income brackets have only 7 percent of this stored-up buying power; but there will be a demand for luxury goods, for consumer durable goods, for certain other types of goods in a very substantial amount for a considerable period of time, and there can therefore be, and I anticipate is likely to be, a considerable period of business prosperity and, if we do not look out, an unhealthy business boom at the very time that we have a considerable volume of people unemployed and a considerable number of people, some of whom will be returned veterans, in a serious condition of economic need. That condition will last for awhile. Once you have got through that period of inflation, unless in the meantime you have provided some means for sustaining the overall consumer demand of the country, you will get a falling off of the demand for consumer durable goods; the market will have become saturated and, in the absence of the mass buying power for which I am principally appealing here, you will not have a sufficient reliance for business to proceed with confidence and with continued production, and then I am afraid you will get a depression. I do not think it is inevitable; I think it is in the cards in the absence of wise policy to prevent it.

Mr. HOFFMAN. Then your thought at the moment is that our people have perhaps an abnormal buying power?

Mr. VOORHIS. Some of them do.

Mr. HOFFMAN. You would not attempt by Government action to redistribute that buying power; would you?

Mr. VOORHIS. No, because it is in bonds, most of it, and you cannot—

Mr. HOFFMAN. I can only follow through one simple proposition at a time, and you get me confused.

Mr. VOORHIS. I did not intend to.

Mr. HOFFMAN. I know you did not. It is my limitation which is at fault.

We have also a scarcity of things that those with money want to buy?

Mr. VOORHIS. Yes.

Mr. HOFFMAN. And that you think is going to cause a boom?

Mr. VOORHIS. It might.

Mr. HOFFMAN. And probably will?

Mr. VOORHIS. Unless certain things are done.

Mr. HOFFMAN. And that will be followed, you think, by a depression, when the volume of production will increase and the buying power will decrease?

Mr. VOORHIS. I think it might; yes.

Mr. HOFFMAN. So, in the meantime, to forestall any trouble that might come, you would have the Government, either through taxation or borrowing from idle funds, get some money on hand and then distribute that by way of social security, I think you said, so as to create more buying power?

Mr. VOORHIS. At a later date. That is reasonably accurate.

Mr. HOFFMAN. It is as accurate as you would expect of a Congressman, anyway?

Mr. VOORHIS. After all, you are repeating what somebody else said.

Mr. HOFFMAN. I am trying to repeat what you said.

Mr. VOORHIS. I know that.

Mr. HOFFMAN. I tried pretty hard; didn't I?

Mr. VOORHIS. And you did pretty well.

I would just like to point out one or two things in connection with that. In my judgment, Congress made its greatest failure in that field when it failed to tax more heavily during the war than it did. I think Congress should have increased the social-security taxes at the very beginning of the war, and I think other taxes should have been heavier than they were, because under present circumstances it is an economic truism that the reserve buying power represented by the Government debt will be a draft upon current production at the same time that current production is declining and buying power, more or less, corresponding to its volume. So, unless you have a courageous tax policy now, unless you have means for increasing production as fast as you can, which is the best hedge against inflation of all, unless you are prepared to guard against a sudden decline in production or buying power in the future, then the things that I have said might well happen.

Mr. HOFFMAN. Speaking broadly, do you believe that the American system of government and the ways of our business people have produced a condition here in America which has given the average man who works with his hands for his livelihood not only more material but perhaps spiritual advantages, and educational opportunities than any other system of government?

Mr. VOORHIS. There is no question about that. I would like to make a long answer, but I will keep it short and say that there is no question about that being true.

Mr. HOFFMAN. But you think that from now on we will have to change that system, or that we are going into what some folks call a tail spin?

Mr. VOORHIS. No; I do not say that. There are two factors that have to be taken account of: One is the fact that free land no longer exists in America; that the opportunity for a man to make his own job is very much less at present than it used to be, because there are no longer free virgin prairies for the taking.

Mr. HOFFMAN. Don't you know that there are millions of acres of land that have not been cultivated?

Mr. VOORHIS. There are; but I also know that agriculture produces a great abundance of crops in good season and in bad season. Unlike

any other kind of production, agriculture's production is high all the time. I could talk a lot about the market for the products, but it would take too long. I think it is true that the opportunity for a man to make his own job on land he can afford to buy is only infinitesimal compared to what it used to be.

The only other field in which a man could make his own job was in the field of starting a business enterprise. That at the very least, and to speak most conservatively, is seriously threatened by the degree to which large-scale industry has monopolized lines of business; so that the opportunity for a man to make his own job is restricted again at that point. Under those circumstances you have a different problem to face than you would have if we still had free virgin land and if we still had a certainty of the continuance of a true competitive situation.

Mr. HOFFMAN. Then, because of the lack of land and because of the practices of monopolies in big business you mean that the American young man has had his opportunity curtailed?

Mr. VOORHIS. Yes, sir. Many of the returning veterans are going to attempt to start little businesses of their own. In some fields they are going to find it difficult to do, which is one reason why I would like to see a specific exemption from business taxes of the first \$20,000 of earnings so as to give him a chance to make some accumulation of capital.

Mr. HOFFMAN. Did you see yesterday's Sunday magazine which described plans of the Flying Tigers who, returning from China are taking planes and establishing freight air lines here in America?

Mr. VOORHIS. I did not.

Mr. HOFFMAN. You might look at that. They found an opportunity.

Mr. VOORHIS. I think that is swell.

Mr. HOFFMAN. Don't you believe that with the improved methods of production that we have, many, many opportunities are open to people to make new things in new ways?

Mr. VOORHIS. Providing you do not let those become monopolized; providing, to be very specific, that you do not permit atomic energy to get into the hands of three or four big corporations; providing you make certain that atomic energy, if it can be safely used for domestic production, is licensed for use, to every single qualified user, on exactly equal terms, be he big or little.

Mr. HOFFMAN. One of the major causes of the lack of opportunity which you spoke about is monopolistic practices; is it not?

Mr. VOORHIS. Pretty much.

Mr. HOFFMAN. Did you not get from the hearings which have been held before the Smith committee the idea that the regulations of OPA and other Government agencies have tended to put the small businessman at a marked disadvantage?

Mr. VOORHIS. The gentleman is also a member of the Smith committee.

Mr. HOFFMAN. Yes. Maybe you learned the same thing I did.

Mr. VOORHIS. I am going to answer your question. In the first place, I think the operations of the War Production Board by and large definitely favor big-scale business and hurt little-scale business. Whether that was avoidable in the war or not I do not know. I personally have always believed that it was much more avoidable than the

record indicates was done. I think that little business could have been made a great deal more use of during the war.

Mr. HOFFMAN. What about the OPA?

Mr. VOORHIS. In connection with the OPA, I believe it is true that any system of price control where you attempt to regulate prices across the board hurts the marginal producer. I do not see how it can possibly do otherwise. I think that has got to be admitted. I would wish that the OPA at the moment would be considerably more flexible in the administration of its policies in order to improve that situation. As you know, I signed the report that we made last that said practically that. I am saying that, but I think that for the country as a whole that has been part of the price that we have had to pay for what would have been a ruinous inflation in the absence of OPA.

Mr. HOFFMAN. We have before us this bill which is directed to creating jobs for the unemployed of the future. Have you given any thought to the question as to whether some other laws, like the Wagner law, or some other practices like the practices of the National Labor Relations Board, tend to create unemployment?

Mr. VOORHIS. I do not think that the practices of the National Labor Relations Board today are creating unemployment. It is my impression that the Board is doing a pretty good job. I think that in the past some of its practices have been subject to criticism. No doubt they will be in the future. But I think they are doing a pretty good job.

Mr. HOFFMAN. Has any consideration been given by you to the question as to whether or not some of the practices of some of the unions create unemployment?

Mr. VOORHIS. I do not think there is much doubt that some of the practices of some of the unions create unemployment.

Mr. HOFFMAN. That is all I have, Mr. Chairman.

Mr. VOORHIS. I want to finish my answer. If you have a situation where a group of men, looking out on a world in which they find considerable unemployment existing, try to protect their individual jobs by attempting to prevent changes taking place in that industry which over the long pull would undoubtedly create more employment. It may well be that the policies they ask for at the moment, in a perfectly human effort to protect their own selves for the time being, may create some unemployment.

Mr. HOFFMAN. You believe that everyone has a right to strike if he wants to? I do not mean in wartime.

Mr. VOORHIS. I think, Mr. Hoffman, that fundamentally if you deny that right you have denied the freedom of the workingman, or you have necessarily assumed on the part of the Government the responsibility for seeing that the conditions in the industry are fair and just in the absence of the right to strike. But I think you have to take your choice between either granting that right and hoping that labor and management can be brought closer and closer together, that conciliation work can be more and more effective, that mediation can do a better and better job so that strikes can be mitigated or reduced as much as humanly possible. You have to take your choice as between what we did during the war, setting up impartial agencies to decide those questions, or governmental fiat.

Mr. HOFFMAN. The question I asked you was whether or not you agreed with the proposition that anyone and everyone has the right to strike.

Mr. VOORHIS. I suppose anyone has the right to quit work.

Mr. HOFFMAN. Then Mr. Higgins has the legal right, to say nothing about his moral right, to close his business?

Mr. VOORHIS. There is no question about his legal right.

Mr. HOFFMAN. Mr. Chairman, I would like to put into the record the statement of Mr. Andrew J. Higgins, president of the Higgins Industries, New Orleans, La., published in the New York Times.

The CHAIRMAN. That may be done.

(The statement referred to is as follows:)

GIVE ME LIBERTY

The statement below, addressed to the loyal workers of Higgins Industries, Inc., New Orleans, La., is published here because we believe it holds special interest to every American citizen.

Higgins Industries, Inc., has voluntarily shut down shop because of the harassment of organized labor unions and Government agencies.

This present and last strike called by the self-styled "elected" bargaining agents of the multitudinous crafts accepted for affiliation with the American Federation of Labor, has degenerated into violence, intimidation and sabotage. No matter what name has been applied to it—"lock-out," "shut-down," "stoppage," or "fishing expedition"—this is the last strike at Higgins Industries, Inc.

The dream I had of educating these people to cooperate and produce an example, a yardstick that would prove that management and labor could get along together, degenerated into a nightmare.

On every occasion when speaking to labor groups I counseled moderation, clear thinking, and wise leadership to make the peace obtained at such high costs worth while. I preached the same theories on many occasions before employer groups.

I have fought the good battle for labor. I will continue to stand for the right of labor. I believe in organized labor and collective bargaining, but I do not believe in, and will not support any isolated pressure group that is abusing organized labor and its membership.

I consider the Wagner Labor Act oppressive in its operation, and in the long run will do labor and American industry a disservice. Under that law, or its interpretation, an employer is powerless to effectively plead his own case. He is denied his constitutional right of free speech. He can be accused of any outrageous thing, or deed, or intent, by any labor representative, and if he dares to defend himself to the public, or to his own employees, he is in danger of being found guilty of unfair labor practice.

The men who have been with this company have on many occasions been ordered to cease work, arbitrarily, by some steward or by some business agent, completely ignoring the bargaining contracts and agreements, or the orderly processes of settling disputes provided therein.

We have resigned ourselves to work out difficulties and possibly overcome them by conciliation and the processes of law, however inadequate and unjust; but within the last several days the stream of reports and visible evidences of assault on those men coming to work, threats and intimidations to their families, threats against their lives, plus acts of sabotage, has caused this management to come to an extreme decision that we hope will be so sacrificial and so soundly taken that it will shock the lawmakers and those that have been abusing power; we have decided for these reasons and for the protection of the lives of our employees to call this terrible condition to the attention of the country by shutting down our manufacturing operations despite golden opportunities.

We have approximately \$40,000,000 of orders on hand. If we were free of this threat, if we could be clear in our planning, we could take on more work to provide more jobs. It is a certainty that we could have provided more jobs, at equal or higher pay, than we did in our spectacular accomplishments during the war. Such an operation required cooperation of labor and management alike. But labor was found unable to meet this responsibility.

These alleged labor leaders have shown a callous disregard of the interests of their members and of the industries they were serving.

They never recognized the fact that by helping improve the position of the company, or any other company they had dealings with, they would be assisting in creating works, better works, in providing better jobs at better pay.

Men that collect, handle, and are custodians of immense amounts of money derived from dues and fees should be worthy of a bond. Does the rank and file know what disposition is being made of the immense amounts so collected?

These self-styled or self-elected bargaining agents have been misleading their membership. This strike was unquestionably called for their own self-perpetuation. And the workers are their scapegoats.

These business agents of the local crafts who have gained the support of the presidents of their international union have influenced these responsible and serious men against this company. In face of the fact that I, the president of this company, overlooking all of the difficulties I was suffering from a local condition, gave support to organized labor, subscribing as I have always done to the rights and dignity of labor and hoping that I could add sound, workable ideas to the principles of democracy.

Contrary to these pygmy men damaging labor, I am still the friend of labor and of organized labor, but from now on I will support organized labor only provided labor itself does the sensible thing—to demand and elect that they be made responsible under the law, as is any other organization, and as I wrote President Truman in my letter of October 15th past: "All officers or agents of the union should be accountable for all initiation fees, dues, fines, and collections, and such officers or agents should be commercially bonded."

Organized labor unions must be made responsible under law for their agreements and their contractual obligations, the same as any other commercial organization.

We have just finished an awful war. If the poor devils that got by without being killed cannot take a job without paying a tribute for it, then it is a futile victory.

Now, this Company is a prosperous and a going concern with vast operations possible for it at the time of this decision. Its operation would have called for the employment of a great number of men vital for the prosperity of this community, this State, and this section of the county. But, under the conditions imposed on us the ambition to take chances to take on works to create jobs has been lost to us.

To the stockholders and management of this company the chief incentive was to create good works, to provide jobs, and make a contribution to the welfare of this country.

To do so we must meet pay rolls. We have to be in a competitive position; we realize we cannot do so when dealing with pygmy-minded vicious men. So, spectacularly, we are going to act as the guinea pig, and call it quits rather than work under these impossible conditions. These grave decisions were arrived at when we had evidence that the powers, unconstitutional or not, of various Government agencies were combining and being directed in association with these local groups, fallaciously supported by their international presidents to coerce us into impossible working contracts.

Last year the War Labor Board said we had a justifiable, full, and proper right to cancel the contract with the AFL crafts; ridiculously at the same time another branch of that board said that we must continue an association with those same people under the same conditions of the contract they said we had the right to cancel.

We submitted to indignities and arbitrary contradictions because we were manufacturing vital things needed for the winning of the war. When the war ended, we believe we very properly questioned the constitutional right of this wartime board to continue its domination over us.

Here recently we have been put in an absolutely untenable position where another group of organized labor has contended they represent a majority of our workers and have been granted hearings by an organization set up under the Wagner Labor Act, but in the face of this the War Labor Board notified me yesterday that I was in contempt or in default and would be shortly required to go to Washington again to debate clauses of a contract that that same War Labor Board said were properly canceled—this edict coming at a time when loyal workers are being assaulted or threatened with assault or worse; the placard carried by hired goons in front of my plant, brazenly denouncing and vilifying me, damning the company, threatening that they were going to ruin the company and vocally broadcasting a boycott of the company! After due deliberation, we came to the decision that we would free ourselves of this oppression. We cut the tentacles of the octopus, and like the Massachusetts colonials that threw the tea overboard from the ships, the men at our plants, like the colonies, had no representation; they were denied the right of voting who would be their collective bargaining agents.

Five years ago a few people forced a union contract on me; the local power hounds, aided and abetted by Government departments, have held our workers in bondage and forced them to pay, not taxes, but tribute—and to whom?

Now, I don't intend to emulate Patrick Henry, or go as far as he did. He said, "Give me liberty or give me death." We say for ourselves and our workers, "Give us liberty and life," and the right of any man to take any job that is offered and he is qualified to take without tribute to anyone.

ANDREW J. HIGGINS,
President, Higgins Industries in New Orleans, La.

Mr. HOFFMAN. That is all I have, Mr. Chairman.

Mr. CHURCH. Mr. Voorhis, you just spoke of OPA hurting the marginal producer. That producer must make a profit if he is to survive?

Mr. VOORHIS. That is correct.

Mr. CHURCH. In other words, the industry or the individual must make a profit if he survives in our American way of living?

Mr. VOORHIS. That is right.

Mr. CHURCH. Do you know of any other nation that has done better or established a better system than ours?

Mr. VOORHIS. I said "no" in answer to Mr. Hoffman's question along that line.

Mr. CHURCH. Have you employed men, yourself, in any business at any time?

Mr. VOORHIS. I have. I used to run a school. I never ran a factory; I ran a private school.

Mr. CHURCH. You felt that you had to come out with a profit in order to continue operating that school?

Mr. VOORHIS. I had to break even. I did not have to show a profit, because I was not in it for that purpose, but I had to break even.

Mr. CHURCH. Were you the only one interested in that enterprise, or were there others that may have gotten a profit?

Mr. VOORHIS. No; there was not anybody else except my father and me.

Mr. CHURCH. But the two of you had to end up with a profit, or you could not continue?

Mr. VOORHIS. We had to end up by paying our bills, or we could not continue.

Mr. CHURCH. That is a profit, is it not?

Mr. VOORHIS. No; it is not, necessarily.

Mr. CHURCH. In any industry under the American system of industry, including school work or any work in which people are employed, there must be some profit; otherwise that industry or that activity ends?

Mr. VOORHIS. That is right.

Mr. CHURCH. You stated that OPA is discouraging the marginal producer?

Mr. VOORHIS. I said it was inevitable that that would happen in certain instances.

Mr. CHURCH. No one objects to the American system in the light of statutes preventing monopoly?

Mr. VOORHIS. No one objects in general, but in specific instances they object lots of times.

Mr. CHURCH. There are statutes against restraints of trade and monopolistic practices, are there not?

Mr. VOORHIS. Yes; insofar as they are effectively enforced. Some of them are not, but our basic conception is to that effect. When we

get down to an individual specific problem we do not always act as if we were really against monopoly. We do not keep the big inch and little inch pipe lines operating as common carriers. We close them down so they will not be common carriers.

Mr. CHURCH. That is a specific case that has to be handled by prosecution or otherwise or by new laws if necessary?

Mr. VOORHIS. That is right.

Mr. CHURCH. Do you agree with me that the sum total of the profit in every man's business is what is to be finally distributed to the businessman and his employees?

Mr. VOORHIS. The sum total to be distributed is much larger than the profits, because it includes excess profits and everything else that is paid out to somebody. It does not happen to include depreciation accounts or cash reserves, which are becoming a bigger and bigger item in our national balance sheet and one of the basic causes for the failure of industry currently to generate enough buying power to purchase its total product.

Mr. CHURCH. You realize the small businessman's experience with OPA and WPB when you say that OPA has hurt the marginal producer, the fellow that gets by with a small profit. You called attention to the fact that you got by in your school business. You can see, can you not, that the small businessmen are fearful of a bill that goes in the direction of Government getting further into business?

Mr. VOORHIS. I do not think this bill does that.

Mr. CHURCH. I am asking you if you can conceive of the fear of business because of that?

Mr. VOORHIS. I can understand it, surely. There is no difficulty about understanding it. I do not happen to agree with it in the case of this bill. I would agree with it if we were proposing that we are going to have a perpetual OPA, which we are not proposing here.

May I take 1 minute, Mr. Church, on this OPA business? I do not want to be put in a false position. If we were interested during the time of the OPA in maintaining reasonable price control and preventing inflation, I do not see how it could have possibly pursued a policy of fixing trade ceiling prices at a point where everyone that might have created another industry would have been guaranteed a profit, for in order to do that, their price ceilings would have had to be very, very high indeed, and their control would have been impossible. That does not help out the marginal producer, but it still leaves it true that the marginal producer was hurt; but he was hurt, as I see it, for the reason that there was an over-all and overriding national need that made it for a time necessary.

Mr. CHURCH. But you do understand that there you have the Government trying to handle the matter?

Mr. VOORHIS. Yes; and whenever you have a Government agency that makes specific detailed decisions about what is going to happen to John Jones or Joe Doaks you have got a situation that I do not blame business for being scared to death of. But that is not what I am talking about. I am talking about over-all policy of maintaining in the country as a whole sufficient buying power to give business an adequate market. That does not imply any control over business; it only implies an undergirding of the total over-all business structure so it can go forward

Mr. CHURCH. Let us go into that point a moment. Could you and your father remain in business merely to employ people, or must that employment in general result in some profit?

Mr. VOORHIS. Employment, of course, has to result in some profit under our system.

Mr. CHURCH. A while ago you were talking about industry not being essentially in business to employ people but that it was essentially in business for profit?

Mr. VOORHIS. Yes.

Mr. CHURCH. I do not want to mistate your position.

Mr. VOORHIS. I said that business was in business to make a profit; that if it did not make a profit it could not stay in business, and therefore you cannot place a primary responsibility upon business for full employment; that the responsibility for the over-all situation had to be a governmental one if it was to be assumed by anyone.

Mr. CHURCH. In the case of your little industry, if you did not make a profit and closed up, other business would start—

Mr. VOORHIS. Maybe.

Mr. CHURCH. If governmental agencies, such as the OPA, did not destroy their margin of profit?

Mr. VOORHIS. That is not the only condition, though. I need only remind you that in 1929 there never was a time when business was as free from every kind of Government restriction, and the bottom dropped out of business. There were some further factors in the situation, the very factors which I am trying to control and which I think this bill might give us a start at controlling. I think it is quite incomplete to say that Government control was more than one factor in the situation.

Mr. CHURCH. With reference to atomic energy, can you envision possibilities opening up of millions of new opportunities if the atomic energy is developed properly?

Mr. VOORHIS. Yes. If it is developed properly, I can.

Mr. CHURCH. Do you know anything about the possibilities?

Mr. VOORHIS. I do not know anything about the scientific features of it. I do not know how it can be made available with safety. I would not presume to speak about those things. I am told by some of the men who do know that it is possible in the future for it to be done. The main thing I am concerned with is that if it is done it be done on such a basis that every single qualified person may have access to it and ability to use it.

Mr. CHURCH. You do have faith in the possibility of millions of new inventions in America, do you not?

Mr. VOORHIS. Yes; I do.

Mr. CHURCH. A lot of them today in chemistry and other fields are lying idle, waiting to go?

Mr. VOORHIS. Some of them are lying idle, not waiting to go but lying idle so that nobody else will use them.

Mr. CHURCH. You spoke of the danger or monopolistic influences. That is a thing that can be removed without new legislation, is it not?

Mr. VOORHIS. It can if we mean business.

Mr. CHURCH. But you can envision that millions of unborn businesses in America will spring up because of possible future inventions as well as those that are now waiting to go.

Mr. VOORHIS. Provided one thing, and that is that the market for the article produced is not allowed to fail.

Mr. CHURCH. You are talking now about the consumer and the producer?

Mr. VOORHIS. I am.

Mr. CHURCH. I go back to the theory that wealth created from business that produces a profit is increasing wealth that makes buying power. Of course, there are certain criticisms of the system; but, all in all, is it not better than any other you ever knew of?

Mr. VOORHIS. Oh, yes; I said so.

Mr. CHURCH. And it should not be discouraged by further Federal impediments?

Mr. VOORHIS. On the contrary, it should be encouraged by further wise Federal policy.

Mr. CHURCH. I am asking this question because I appreciate your industry and your thoughtfulness on a subject like this. I wish you would refer to section 2 (b) and, if you can do it now, I wish you would furnish the committee with definitions of some of the words used there. First, I want to ask you if you do not believe that the Congress should do as you have often said on the floor, spell things out and define them, so that things that we legislate about may be clear?

Let me ask you about the word "useful" [reading]:

All Americans able to work and seeking work have the right to useful, remunerative, regular, and full time employment.

Do you think it would be a better bill if we were to define the word "useful"?

Mr. VOORHIS. Well, how would you define it?

Mr. CHURCH. Will you give that some thought and furnish a definition of the word as you think it should be defined?

Mr. VOORHIS. I think it is pretty good.

Mr. CHURCH. Would you say that many would disagree on what you would call useful?

Mr. VOORHIS. Well, I do not know that there would be very much disagreement about it. It should not anticipate very much.

Mr. CHURCH. Not many would disagree on what you would call useful?

Mr. VOORHIS. I do not think so.

Mr. CHURCH. Who would determine the matter of usefulness there?

Mr. VOORHIS. For one thing, the private employers would determine it, because insofar as the jobs were private jobs, as we would hope they would be—

Mr. CHURCH. In your business you and your father felt that you should determine at all times the matter of whether or not employment was useful?

Mr. VOORHIS. Yes.

Mr. CHURCH. Under this bill who would determine that? You think, still, the private employer would?

Mr. VOORHIS. Yes; I am sure he would; primarily, anyway.

Mr. CHURCH. Now go to the word "remunerative." Would you try to define that word, just what it means to you?

Mr. VOORHIS. I think it means that you would get paid for it.

Mr. JUDD. Would you define it as to the amount?

Mr. VOORHIS. I do not think the bill attempts to do that.

Mr. JUDD. Do you think it ought to?

Mr. VOORHIS. No; I do not believe it should.

Mr. JUDD. Has the Government any obligation to mention the amount, such as ten, twenty, or thirty dollars a week?

Mr. VOORHIS. No. I think that is probably a fit subject for further legislation. It seems to me that the thing to do with this bill is to keep it what it started out to be, namely, a general statement of policy plus an attempt to set particular machinery in motion for giving Congress information upon which to act with intelligence in the light of the problem.

Mr. JUDD. Someone has got to develop what is meant by that word. Would you think it is advisable for us to try to do it?

Mr. VOORHIS. No; I would say I did not think it would be advisable for you to try to do that. To take a very specific example, let the Congress, when it decides what it is going to do about the minimum wage law, decide the question.

Mr. JUDD. If we voted for 65 cents an hour, that would mean not less than 65 cents an hour?

Mr. VOORHIS. No; it would not even mean that. It would probably mean, in practical effect, that if the job were in interstate commerce it would mean 65 cents an hour, but if it was not, then it would not necessarily mean 65 cents.

Mr. CHURCH. Now you have mentioned interstate commerce——

Mr. VOORHIS. That was probably a bad mistake.

Mr. CHURCH. You realize, do you not, that H. R. 2202, which is the original bill that we have been referring to, does reach down to all employment, irrespective of interstate commerce?

Mr. VOORHIS. To the extent that we would hope that the result of the policy would affect employment that was not in interstate commerce, yes.

Mr. CHURCH. It relates to all employment?

Mr. VOORHIS. That is right.

Mr. CHURCH. Beyond interstate commerce?

Mr. VOORHIS. Yes; I think so.

Mr. CHURCH. Would you speculate on a definition for the next word, "regular"?

Mr. VOORHIS. I should say that means that it should be not hit and miss employment; that it would be employment that a person could rely upon to make a living out of.

Mr. CHURCH. And then would you speculate on a definition for "full-time employment"?

Mr. VOORHIS. Yes. I think it means not part time. It means that the person is employed a normal workweek.

Mr. CHURCH. Do you contemplate a tremendous expenditure in order to get the correct statistics necessary to be collected?

Mr. VOORHIS. Of course it is a big job to assemble statistics, but I think a lot of them have already been assembled. I think the main thing that is needed is for somebody to sit down with them and really work on them. Most of the statistics are available in the Bureau of Labor Statistics or elsewhere right now.

Mr. CHURCH. You think they are?

Mr. VOORHIS. Most of them.

Mr. CHURCH. If that be the fact we do not need this measure in order to assemble those statistics?

Mr. VOORHIS. To assemble them we do need it. I say they are available. But they are down there where there is not any congressional machinery at present for bringing together those over-all facts and deciding the over-all policy in the light of them. That is one of the main things, I think, that is needed for this bill.

Mr. CHURCH. Are they there for 6 months from now?

Mr. VOORHIS. They could not very well be there for 6 months from now, but they should be there for 6 months ago and for the present; and with the use of a little intelligence you might be able to guess what the situation would be 6 months from now. I think it is better to guess than to let the boat drift and say I am not going to try to forecast the future at all. If you were doing that in a war you would get into plenty of trouble. I see no reason why we should not attempt—indeed I think we have got to attempt—to do something if we are going to meet our economic problems.

Mr. CHURCH. With regard to the words “to enable all Americans who have finished their schooling,” I refer you to your speeches in which you want us day after day, on the floor, to define what we are doing. How would you define the words “finished their schooling”?

Mr. VOORHIS. I think that has got to be left up to the individual or to such laws as might say how long a child had to remain in school. I take it as a limitation of the bill. The gentleman will recognize the fact that there has been a good deal of conversation to the effect that this bill was supposed to be a guaranty by the Government that everybody from the cradle to the grave was going to have a job by the Government's giving him a job. I think this language is supposed to indicate that the bill does not mean that we are going to try to employ all the school children, such as have been employed during the war, for example. Does the bill mean you have got to keep them employed? I think not. I think that language has got to be in the bill to clear up that point.

Mr. CHURCH. I referred to the language—

and it is the policy of the United States to assure the existence at all times of sufficient employment opportunities to enable all Americans who have finished their schooling * * * to exercise this right.

Offhand, can you estimate what period that schooling would be?

Mr. VOORHIS. It is an entirely different question—

Mr. CHURCH. Would you leave it to the individual?

Mr. VOORHIS. I do not see how you can do otherwise.

Mr. CHURCH. Would you employ the same standard, the same yardstick, to the other terms and leave it to the individual to determine whether or not he has a right to useful employment, whether or not he has a right to remunerative employment, whether or not he has a right to regular employment, whether or not he has a right to full-time employment?

Mr. VOORHIS. I do not think there would be much difference of opinion about that.

Mr. CHURCH. You would leave it to the individual to determine?

Mr. VOORHIS. As to whether or not he wanted a job?

Mr. CHURCH. As to whether the employment is useful, whether it is remunerative, whether it is regular, whether it is full-time employment.

Mr. VOORHIS. I think those are definitions that the bill carries.

Mr. CHURCH. Oh, no; the bill does not carry definitions. I am only addressing myself to section 2 (b) of H. R. 2202, and it reads [reading]:

All Americans able to work and seeking work have the right to useful, remunerative, regular, and full-time employment, and it is the policy of the United States to assure the existence at all times of sufficient employment opportunities to enable all Americans who have finished their schooling and who do not have full-time housekeeping responsibilities freely to exercise this right.

If the child does not determine when he has finished his schooling, who would determine it?

Mr. VOORHIS. The State law might. In my State it does. The State law in my State requires children to continue in school up to a certain age and provides that if they are to be employed before that, they must get a certificate entitling them to go to work.

Mr. CHURCH. Then there are two possibilities: One, the child will decide it; second, the State law will decide it. Then that would mean that somebody in the Federal administration probably should decide it?

Mr. VOORHIS. The bill does not work that way, at all, in my judgment.

Mr. CHURCH. I do not want to put the answer into your mouth. I am looking for information.

Mr. VOORHIS. My answer is that in my judgment the bill does not in any way imply that any Federal official is going to decide that Joe Doaks had been in Evanston and is entitled to a certain job, when Joe Doaks can go to a Federal agent and say, "I am entitled to a job."

To my mind, all that the bill implies is the pursuit of Government policies that make it reasonably possible for Joe Doaks to find his own job if he is unemployed.

Mr. CHURCH. The Secretary of Commerce, Mr. Wallace, said that he felt that there should be definitions. He felt that General Fleming, who is in charge of PWA, would be the person to make the decision as to whether or not work was useful, remunerative, regular, and full time. At least he said that he should make that decision as to the word "useful."

Mr. VOORHIS. That is probably true, excepting that when we come to the passage of a bill on public works where those matters are involved, then I would be very much in favor of having Congress write the standards into the bill. In this bill I do not see how you can.

Mr. CHURCH. Would you not rather do that than get into a position such as they have gotten into in other countries where there have been people at the head of them who did determine what was useful and what was not? I know the gentleman does not agree with that plan.

Mr. VOORHIS. I do not.

Mr. CHURCH. I sometimes think that your planning might tend in that direction. Whether or not work is remunerative, whether or not it is useful, is going to be determined by somebody, and it seems to me that if Congress passes this bill somebody in the Federal Government has got to determine that, unless, as you often contend, we should definitely define those words in the legislation. I wish you would give it some thought and furnish our committee with definitions.

Mr. VOORHIS. I can answer the gentleman right now, that in view of the fact that the bill contemplates that employment will be private

employment to an overwhelming extent, I do not see how you can write into this bill what the standards of work in that private employment in America are going to be. I think it would be a violation of the spirit of the bill to do it. As far as public employment is concerned, I am just as strong for Congress being specific as I ever was, but I do not believe this is the bill in which to do it for public works, because we do not know when we pass this bill what kind of a program of public works it is going to be that is authorized by Congress, and until we do know that, I do not see how you can intelligently write in such standards.

Mr. CHURCH. That is all, Mr. Chairman.

Mr. WHITTINGTON. Mr. Voorhis, I am personally very glad to have your statement, and that is always the case, because you are very careful in your statements. As I understand it, it is your view that this pending legislation is not emergency legislation, but it is to announce a policy for the long-range view to guard against unemployment?

Mr. VOORHIS. There is no doubt about my agreement with the second part of your statement, Judge Whittington. I would not say it was emergency in the sense that there was a definite date or dead line, but I do believe that it is the kind of statement of policy, if you want to call it that, which it is important for us to make at as early a date as is possible.

Mr. WHITTINGTON. It is to be a permanent, long-range policy?

Mr. VOORHIS. Yes.

Mr. WHITTINGTON. You very frankly and candidly stated that there are many in this country who understand that this House bill undertakes to guarantee jobs and that it undertakes to do it by deficit spending, but that is not your interpretation of the bill?

Mr. VOORHIS. No; I do not think that is the correct interpretation.

Mr. WHITTINGTON. I say you stated that very frankly, but you have also stated that there is a widespread impression by many in the country that we are guaranteeing jobs, but you do not think that is a fair interpretation?

Mr. VOORHIS. That is right.

Mr. WHITTINGTON. If that be a misunderstanding and if there be a lack of agreement as to that interpretation, then the language might be clarified. The provisions of the bill might be clarified to say definitely so that there should not be any disagreement as to what we really mean as to our policy?

Mr. VOORHIS. I would not object to clarification on that if it is necessary. As I read the bill—and I have read both the Senate bill and the House bill—

Mr. WHITTINGTON. I am familiar with the terms of the bill when I ask these questions.

Mr. VOORHIS. Of course you are; but as I read them, neither one justifies that interpretation.

Mr. WHITTINGTON. It is your view that primarily the unemployment problem ought to be solved by the promotion of our free-enterprise system as distinguished from collectivist or totalitarian systems under which there would be provision for jobs generally by the Government?

Mr. VOORHIS. That is true.

Mr. WHITTINGTON. While you favor a sound, constructive, national public works program, you have stated that those works alone, unless supplemented by private enterprise, might not be sufficient?

Mr. VOORHIS. Yes.

Mr. WHITTINGTON. Is it not fair to say that the cause of each depression or economic dislocation ought to be ascertained and that in addition to public works to stimulate private employment, we ought to remedy the cause of the dislocation?

Mr. VOORHIS. I most heartily agree with that.

Mr. WHITTINGTON. With respect to the provisions of this bill, section 3, providing for a national budget, I am alarmed about that provision. I am bothered and disturbed about it, and I will give you what is running through my mind, and I would like to have you answer it.

There is not anything in section 3 or in section 4 that provides for any additional facilities to the President of the United States in submitting that budget, except the last paragraph of section 4 which authorizes him to invoke the aid of the advisory committee. Is not that true?

Mr. VOORHIS. I am afraid it is.

Mr. WHITTINGTON. Inasmuch as President Hoover, during his administration, with all the facilities that are contained in sections 3 and 4, including the advisory committees that he called to Washington, made a mistake in his diagnosis when he said that prosperity was just around the corner, and inasmuch as President Roosevelt, in 1936 or 1937, made a prognosis that did not turn out to be accurate, even in 1940, I ask you this question, whether or not, instead of this budget, it would be advisable to provide for a board or a commission of eminent specialists, experts, economists, and those who represent the public view generally, to give to the President of the United States information as to economic trends, as to the causes of dislocation, and ask the President to submit a report rather than a budget, this report to be considered by the joint congressional committee?

Mr. VOORHIS. In the first place, I do not think it makes much difference whether you call it a budget or a report. I would not want to get involved in that question. In the second place, I am very glad the gentleman asked the question he did, because I personally feel that the bill is deficient in that it does not say who are the people that are supposed to assist the President in the preparation of this budget.

Mr. WHITTINGTON. Exactly so, sir; and in order for the country to have confidence in his report, or whatever else you choose to term it, ought not the country to know who these officers are?

Mr. VOORHIS. I think they certainly should. Otherwise I am afraid that what will happen will be that it will be prepared by somebody, no one knows quite whom, some White House officer, who will be a nebulous individual, and we will not know him. I would prefer, for myself, to see the bill amended so as to require the definite appointment of certain definite people. I think they should be on the President's staff, I will say to the gentleman, rather than officials of the Congress; but I think they should be definitely appointed as individuals, and I certainly agree that they should be the most eminent people that the country can produce, who would prepare this report or this budget, whichever you want to call it, and submit it to Congress.

I cannot finish my answer without remarking that in the case of President Hoover and President Roosevelt both, there was not in existence at that time any orderly method of bringing the entire picture to the Executive nor any orderly method of presenting that entire picture to the Congress.

Mr. WHITTINGTON. I have no disposition to continue my questions except to say that the purpose of asking the questions was to show that President Hoover and President Roosevelt had exactly the facilities that are provided in this bill, and that was not enough, in my judgment.

Mr. VOORHIS. I agree with you. But they were not required to make a coordinated report to Congress, nor was there at that time any statement to the effect that the Congress should take orderly action in regard to it.

Mr. WHITTINGTON. I will say, finally, that I think it is a mistake to require of the President in 1947, or each President, as far as that is concerned, upon the convening of Congress, to submit such a report or budget, because, frankly, it would not fit in. We would have a new President, and he ought to be permitted to submit it whenever he reaches his conclusion.

That is all, Mr. Chairman.

Mr. JUDD. Mr. Voorhis, you have stated that you realize there is an impression abroad in some minds that this bill somehow does guarantee full employment.

Mr. VOORHIS. I said that I thought there had been representation made that it guaranteed specific employment to individuals.

Mr. JUDD. You think that is unfortunate?

Mr. VOORHIS. Yes, sir.

Mr. JUDD. You think that it would be most unfortunate for people to imagine that it did, and then to find out that it did not?

Mr. VOORHIS. Yes.

Mr. JUDD. Therefore, is it not advisable for us, without weakening the bill, to avoid any possibility of misunderstanding, to make an effort to clarify it?

Mr. VOORHIS. I have done it.

Mr. JUDD. Do you think that one of the most potent factors in creating that possible misunderstanding is the very title of it, the "Full Employment Act"? Do you think it might be better to call it, for example, the "Maximum Employment Act," because every witness we have had has said that it will not guarantee full employment.

Mr. VOORHIS. I would not argue too hard on that, Mr. Judd.

Mr. JUDD. Do you think perhaps the difficulty comes in the word "assure," and that we should interpret or change the word "assure"?

Mr. VOORHIS. To tell you the honest truth, what I really think is that that has been an interpretation put upon it by the enemies of the bill, and I do not know whether you can change the bill enough to avoid that.

Mr. JUDD. Would you object to the changing of the word "assure" to "promote"? A bill to promote employment?

Mr. VOORHIS. I would rather do it in another way, by saying, "to assure a national condition in which it will be possible for men able and ready and willing to work to find employment."

Mr. JUDD. But you recognize that, being human, mistakes might be made which would not accomplish that?

Mr. VOORHIS. Of course.

Mr. JUDD. Do you regard the bill as a moral commitment, a pledge to achieve that end?

Mr. VOORHIS. No, but I regard it as a pledge to do the very best we can in a democracy to reach that goal.

Mr. JUDD. Would you object to such language as this: "It is the policy of the United States to do its utmost to assure the existence at all times," etc.?

Do you think that is a little more honest than to say it is the policy to assure the existence at all times, when we cannot honestly guarantee that? All we can honestly promise is that we are going to do the best we can. Would you object to that change?

Mr. VOORHIS. I do not believe I would. I would not like, in fact, to answer that question categorically right now. I will settle for "our utmost," I will say to the gentleman. All I am afraid of is that we will not do our utmost.

Mr. JUDD. Of course, we could not do more than our utmost, even if we did not say it that way?

Mr. VOORHIS. No.

Mr. JUDD. So, do you not think that this is really being more candid and fair with both the employee, the public, and the taxpayer?

Subsection (e) of section 2 provides that—

To the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment.

It does not say what may be needed in relation to what we are able to provide; it just says, whatever is needed. All through life do we not have to balance our needs with our capacity or our resources?

Mr. VOORHIS. That is a deeper question, I think, because on that question you get down to the decision as to whether or not you save money by permitting a depression, which I think is a very real question. Are you going to save money over all in the United States by permitting a downward spiral of depression to take place, or will you save more over the long pull by preventing the depression in the first place?

Mr. JUDD. We all would hope that the second is true. But if we had to borrow until there began to be doubt as to the soundness of our bonds, at that point would we still have to go ahead and borrow, or would there be a tapering off or an adjustment in Government "investment and expenditure"?

Mr. VOORHIS. Of course, if I did not have the very definite view that a great deal of the borrowing for that purpose is unnecessary and is called national debt when it ought not to be called national debt, I might be much more deeply concerned about the gentleman's question than I am. But I do not believe that that is, after all, additional national debt. I think that portion of it where you exceed the flow of actual production is properly debt, but the portion where you merely monetize as purchasing power your potential increase in production ought not to be debt.

Mr. JUDD. I do not want to go into that. You know that the majority of Congress, as at present constituted, does not go along with that theory.

Mr. VOORHIS. I think, because they do not quite grasp the situation.

Mr. JUDD. I have to agree with you on that.

Do you think that the Senate bill, as amended at this point by putting in the consistency clause, is an improvement of the bill or a weakening of it?

Mr. VOORHIS. I do not object to the Senate amendments. I would like very much to have the words "program of taxation" in the Senate bill, on page 5, changed to read "a monetary and fiscal program." That would include taxation, but it is broader language than just taxation. I do not think you can consider taxation by itself. I think you have got to consider it in connection with the whole field of monetary and fiscal policy.

Mr. JUDD. You mean line 9, page 5?

Mr. VOORHIS. Yes.

Mr. JUDD. Strike out "program taxation" and put in "monetary and fiscal program"?

Mr. VOORHIS. Yes. But the rest of the language, with that change, I do not object to.

Mr. JUDD. Do you not think that if we made such a change it would greatly assist in avoiding any misunderstanding, either by the opponents or the advocates of the bill, as to what it actually does?

Mr. VOORHIS. I think it might.

Mr. JUDD. That is all, Mr. Chairman.

Mr. HENRY. Mr. Voorhis, I am very desirous of doing everything I can during my term of office to promote full employment. I was in hopes that we could have some legislation that would be drawn in such form that I could support it. There have been two charges leveled against this bill which impress me and bother me. The Congressman from Minnesota, Mr. Judd, has touched on one. One of the charges leveled against this bill is that it should not be called the Full Employment Act, because it does mislead people into the belief that the mere passage of this bill will create full-time employment to everyone seeking a job. That is not true.

Would you have any objection if the title of this bill were changed to something like "The Federal Economic Planning Act"?

Mr. VOORHIS. I do not think it ought to be changed to that.

Mr. HENRY. What would you suggest?

Mr. VOORHIS. I do not think it is important to change the title of the bill. I think the important thing is to try to do an educational job as to what the substance of the bill really provides for. I do not think we can avoid that in any event.

Mr. HENRY. For my own part, I cannot support any legislation that deceives the public into believing that it does something that it does not do.

Mr. VOORHIS. Of course you cannot. Neither can anybody else. But I do not believe that this legislation does deceive the public. If I did, I would not be for it. I do not think it does. If the gentleman has some suggestions for the title of the bill I would be glad to consider them, especially if they were a condition of getting the rest of the bill passed. I would not object to what the title was. As the gentleman knows, the title of a bill does not have the force of law; and I could name him instance after instance where we have passed legislation with titles which were farther from the mark than this. I am not altogether certain of this, but it is my impression that

the bills we have passed to raise the debt limit have carried a title with the clause in it "to preserve the credit of the United States."

Mr. HENRY. And I think that was wrong.

Mr. VOORHIS. It probably was. But I just cite that as an example. I do not think you can stop people calling this the full employment bill no matter what the title is.

Mr. HENRY. Do you not think that the very title is what has led them to believe that it provides full employment?

Mr. VOORHIS. I think we have got to have a policy of maintaining full employment.

Mr. HENRY. So do I.

Mr. VOORHIS. And I think we can. I do not think it can work without a certain amount of friction in a democracy. I do not think you can possibly set up a system, nor do I think that the working men would want us to set up a system, where we arranged things so that every Tom, Dick, and Harry in the country was entitled to useful, remunerative, full-time employment every hour of the day, every day of the week, and every month of the year. What we really mean is an opportunity for people to make a living. That is what we are talking about.

Mr. HENRY. Another point which bothers me is paragraph (e), on page 3, which I interpret to mean an absolute promise on the part of the Federal Government to provide Federal investment and expenditures in an unlimited amount. There is no limit placed upon the obligation of the Federal Government whatsoever in that paragraph, as I understand it.

Mr. VOORHIS. Excepting the limitation that the bill elsewhere carries the provision that Congress shall take action in other fields besides this.

Mr. HENRY. Is this paragraph not a pledge on the part of the Federal Government?

Mr. VOORHIS. It might come pretty close to that. But certainly the pledge is given on the assumption that you will have a field in other directions. But I do not think you need it in other directions.

Mr. HENRY. But in the case where private initiative fails to provide full employment, that is when the Government has to step in?

Mr. VOORHIS. I will tell you what I would agree to. I would certainly agree to putting in there the words "to provide such volume of Federal investment and expenditure or to take such other measures as may be needed." I would certainly agree to that.

Mr. HENRY. Referring to the comparable section in S. 380, will you tell me whether you like that wording better?

Mr. VOORHIS. In what section is that?

Mr. RESA. It is on page 4.

Mr. VOORHIS. The Senate bill approaches it from a little different point of view. It approaches it a little bit more in accordance with the suggestion which I just made, although they use more words about it.

Mr. HENRY. You think the Senate version is a little bit more honest?

Mr. VOORHIS. I had said before that I had no objections to the Senate amendments. I do not.

Mr. HENRY. That is all.

Mr. RESA. I have no questions.

**STATEMENT BY SECRETARY OF AGRICULTURE
CLINTON P. ANDERSON**

Secretary ANDERSON. At the very beginning of my statement, let me make it clear that I endorsed the purposes and principle of the proposed Full Employment Act of 1945. This bill is of vital and far-reaching significance to all segments of our economy, including agriculture. The future of our democratic form of government may depend in large measure on our ability to maintain full employment. The right to a job, which this bill proposes to make a basic policy of our Government, is as important to the preservation and sound functioning of democracy as are the time-honored rights of free speech, a free press, and freedom of religion.

If we are to have full employment, as I believe we must have, the Federal Government will have to assume the responsibility for maintaining it. This bill, S. 380, recognizes this fact. There is no one segment of our economy which can provide the necessary guaranties. Yet all of us, farmers, businessmen, laborers—producers and consumers alike—can together, through the instrumentality of our democratic government, assure the maintenance of full production and, hence, full employment.

Every reasonable encouragement must be given to private enterprise to produce as many goods and services, and employ as many workers, as possible. Moreover, much can be done that has not been done in the past to encourage private initiative and business activity. The proposed legislation recognizes this, and puts the responsibility on the President and the Congress to review the general economic situation at least once each year, and to take steps necessary to encourage private enterprise to operate at such levels of production as to assure full employment of the working force. Only if private enterprise is unable to maintain full employment, will the Government step into the picture with investment and expenditure programs necessary to do the job. The assurance that Government is committed to a policy of maintaining full employment, within the framework of our free enterprise system, is one of the greatest encouragements that Government can give to individual producers. They will know that with a fully employed labor force there will be a market for their particular products.

The bill provides for a straightforward, businesslike way of approaching the problem: It requires the President to set before Congress each year a national production and employment budget. This budget will indicate, on one hand, the estimated volume of goods and services that will be produced in the ensuing year if the labor force is fully employed; and, on the other hand, the total volume of expenditures necessary to provide market outlets for this full-employment volume of production. If the prospective expenditures are not great enough to afford outlets for the full employment volume of production—in other words, if there is a deficit in the production and employment budget—the President is required to recommend a general program for encouraging private investment and expenditure. In the event that the total volume of private investment and expenditure, together with the expenditure of State and local governments, is not likely to be great enough to provide outlets for the total volume of goods and services which a fully employed labor force will produce,

it will then be necessary for the President to submit programs for expanding Federal investment and expenditure. It is important that first priority will be given to ways and means of expanding non-Federal expenditures, whenever market outlets begin to shrink. This will afford private enterprise an opportunity at all times to go full steam ahead. Moreover, it will prevent heavy Government spending except when it is absolutely essential to the maintenance of full employment.

The proposed legislation does not give the President any substantive powers which he does not already have. He is required, as I have indicated, to submit a special budgetary message to Congress and to include with this message the national production and employment budget which I have just described. Moreover, he is required to recommend any programs of action, which he deems necessary to the maintenance of full employment. It is up to the Congress, however, to decide what shall be done in the way of inaugurating special programs, or otherwise altering Government policy. The bill provides that there shall be established a joint committee from the Senate and the House of Representatives to make findings and recommendations on the President's special budgetary message. Although the establishment of this joint committee of the Senate and House of Representatives is an innovation in congressional procedure, I believe that it is a sound and desirable step. It will greatly simplify and improve the present congressional procedures for handling budgetary legislation.

The farmers of this country have a vital interest in the maintenance of full employment. Our agricultural industry is now geared to produce 30 to 35 percent more than before the war. Moreover, improvements in agricultural technology are progressing rapidly. In the years ahead, when we get through the reconversion period of the next 18 to 20 months, one of the major problems facing this country will be that of providing adequate market outlets for the increased volume of agricultural production. The maintenance of full employment will be essential if we are to guard against another period of agricultural depression and low farm income. Farmers cannot be prosperous unless our total economy is prosperous. The interest that farmers have in seeing that all workers are fully employed at adequate wages is direct and specific. When urban people have jobs and are making good incomes, they buy more clothes which come from wool and cotton; they eat more fruit, meat, and vegetables; drink more milk; and even smoke more cigarettes than when they are unemployed or working only part time. The wartime experience of the past few years has given us abundant and convincing proof of this.

That farm prosperity or depression is closely linked to the condition of the whole economy is demonstrated by the relationship between farmers' income and the level of employment from 1929 to 1944. When unemployment rose to almost 14,000,000 workers in 1932 and 1933, net farm income dropped to less than \$3,000,000,000—the lowest level since farm-income records were begun in 1910. When unemployment fell to less than a million people in 1943, net farm income climbed to \$11,000,000,000—an all-time high.

The Bureau of Agricultural Economics in the Department of Agriculture is currently analyzing the relationship between various levels of postwar employment and agricultural conditions. A recent bul-

letin issued by the Department (Miscellaneous Publication No. 562) indicates that the income of American farmers in the postwar years will depend more upon the level of business activity and nonfarm employment than upon anything else. If we have full employment, that is, if unemployment does not exceed a minimum of about 2,000,000 workers, including those on vacation and in process of changing jobs, we might reasonably expect that net farm income would be about \$9,000,000,000 in 1950. This would be about \$2,000,000,000 less than it was in 1943. Without any governmental programs to support farm prices, or to induce changes in farm production, and with full employment, the prices of farm products on the average would be near the parity level. However, the prices of some important commodities would be substantially below parity, and all of the problems of agriculture would not be solved simply by the maintenance of full employment.

With current farm technology the cropland needed to meet production requirements in 1950 under full-employment conditions would be some 12 to 14 million acres more than were used in 1844. Allowing, however, for moderate improvements in technology between now and 1950, all the products require to meet the probable foreign and domestic demand at that time under conditions of full employment could be produced on 327,000,000 acres of cropland, or about 28 to 30 million acres less than was used last year. This suggests the possibility that agricultural production might outrun demands even under conditions of full employment.

If as many as 7,000,000 workers were unemployed in 1950 the agricultural situation would be serious. Net cash income from farm marketings would probably drop to about \$6,500,000,000 and farm prices would decline well below parity levels, unless some governmental action were taken to support them. Whereas the postwar prospects are that the agricultural problem will be a manageable one under conditions of full employment, it could easily develop into a serious national problem with only a moderate amount of unemployment.

The fact that full employment stimulates the demand for farm products, and thus tends to maintain farm income, is not the only way in which prosperity throughout the economy aids in bringing prosperity to agriculture. A full employment economy affords needed nonfarm job opportunities to rural youth, and to hundreds of thousands of small farm operators who have such inadequate farm units that it is virtually impossible for them to produce enough to maintain a decent level of living.

The birth rates in agriculture are high, and, hence, the farm population increase is rapid. If there had been no migration between farms and cities between 1940 and 1950, there would have been approximately 3,000,000 young men in rural areas who would have reached their twenty-fifth birthday during the decade. However, only 1,800,000 men between the ages of 25 and 69 in 1940 would have died or retired from agriculture by 1950. Thus, there would have been little opportunity in agriculture for over 1,000,000 of these young men. There has been, of course, a substantial migration of young people out of agriculture since 1940. Even so, the present relationship between birth rates and death rates in rural areas are such that without a single veteran or war worker returning to rural areas the agricultural work-

ing force can be maintained during the next few years at its present levels simply from the natural increase in population. Over the next 10 or 15 years, there will be, no doubt, a substantial number of maturing rural youth who cannot find acceptable opportunities in farming. This, of course, is nothing new. Agriculture has always supplied a substantial part of the nonfarm labor force. If our economy is kept functioning at full employment levels of production, these young farm workers will be needed in nonfarm employment. Moreover, many of them will want to take advantage of the nonfarm job opportunities. On the other hand, if we have prolonged unemployment, there will be a piling up of population on the land at the very same time that agricultural prices and farm incomes are declining. It is evident, therefore, that farmers are interested in the maintenance of full employment both because it will provide greater market outlets for their production and increased job opportunities for their children as they reach working age.

So far we have been talking about what full employment means to the farmer in terms of greater demand for products and work opportunities for young farm people. However, I regard the agricultural sector in our economy as more than a passive recipient of the benefits of full employment which may exist in other parts of the economy; there are positive contributions that agriculture can make within its own borders to full employment.

In the past, regardless of the ups and downs in production of industrial goods, farmers have generally produced to the limit. This has meant the greatest possible amount of work in those industries which process, transport, and distribute agricultural products. There is every reason to believe that in the future farmers will follow this traditional pattern. They will continue to produce at capacity levels and in so doing provide employment not only for themselves but for those whose job is to get agricultural goods into the hands of the consumer.

Another way in which farmers can contribute to full employment is through the wise spending of the money they have saved during the war. Recent estimates indicate that farmers' cash and liquid reserves are about \$16,000,000,000. This amount of purchasing power in the hands of farmers is far beyond anything known to us previously. These figures are testimony to the patriotic thrift which farmers practiced during the war. This farm spending power wisely managed can make a significant contribution to the demand for peacetime goods and services.

Farm machinery needs replacement. The farm automobile will have to be replaced. Undoubtedly, in common with city people, our farm families will make up for long-deferred purchases of clothing, shoes, household furnishings, and the thousand-and-one other things we have not been able to get for the last 3 years. Some of the cash reserve can and will go into the purchase of electrical equipment of all sorts, both for family and production use. I hope that through an intensified and expanded rural electrification program we can make electric power available to those millions of farms which do not have power lines.

Of course, the very act of expanding and improving rural power networks will in itself provide for added employment directly and for additional demands for electrical machinery. But farmers' ideas as to

new construction are not going to stop merely with improving their electrical services. I have no doubt but that our rural areas will embark on a large-scale program of repairing and improving the road systems, school buildings, and other public structures. On some of this they will need the assistance of State and Federal Governments, but much of this will be done with local initiative and local funds. All such construction projects in farm areas will add to the demand for labor. However, the most important construction job is on the farm itself. Farm houses, barns, and other buildings have gone unpainted and unrepaired because of difficulty in getting material and because of the lack of spare time and labor in recent years. Many farmers will be very busy in the coming months in putting their dwellings and farm buildings into tiptop condition, and in many cases erecting new buildings. All of these activities will go to swell the current of employment.

These are some of the ways in which agriculture can increase employment on the farm and can contribute to the demand for work elsewhere. For some time we have had working in the Department a post-war committee—one of whose main tasks is to outline methods for insuring full employment in agriculture in the postwar period. If the full employment bill is passed, as I hope it will be, it is my intention to expand this work so that we shall be ready with a full and detailed program for agriculture.

I feel so confident that the proposed Full Employment Act of 1945 is a significant step toward providing full employment, and thus insuring a general economic situation in which the problems of agriculture can be dealt with in a sound and constructive manner, that I am happy to endorse the measure. I think that its sponsors should be congratulated on having introduced it, and that this committee is to be commended for the full extensive hearings now being given it.

Mr. ERVIN (presiding). I have no questions. We will take a recess until 2:30 this afternoon.

(Whereupon, at 12:05, a recess was taken until 2:30 p. m. of the same day.)

AFTER RECESS

The hearing was resumed at 2:30 p. m., Hon. William M. Whittington presiding.

Mr. WHITTINGTON. Our first witness this afternoon is Congressman Frederick C. Smith, of Ohio. Will you state the district you represent, Congressman?

STATEMENT OF HON. FREDERICK C. SMITH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Dr. SMITH. I represent the Eighth Ohio District.

Mr. WHITTINGTON. Of what committee are you a member? I would like the record to show that.

Dr. SMITH. I am a member of the Banking and Currency Committee.

Mr. WHITTINGTON. We will be glad to have your statement, Congressman.

Dr. SMITH. Thank you, Mr. Chairman and members of the committee. I want to express my appreciation for having the privilege of appearing before you in opposition to H. R. 2202, entitled "Full Employment Act of 1945." The testimony I have to offer deals more particularly with the broad principles and implications that are involved in this measure, rather than specific interpretation of individual sections and paragraphs. My analysis of this proposal attempts to present underlying causes which I consider to be primarily responsible for any substantial potential lack of employment opportunity that might exist, and the remedy which must be applied to restore normal employment opportunity.

My study of this proposal is somewhat lengthy. I am aware that your committee has been holding hearings on this measure for a long time, that you are perhaps getting a little weary, especially since much of the testimony presented has been repetition. I shall therefore not burden you by consuming the time that would be required to read my entire statement, but give you only such portions of it as will help you to understand the nature of its contents. Accordingly, my statement will appear considerably disconnected. Under the circumstances, may I ask permission of the chairman to substitute my complete statement in place of the one I am presenting, and also to make such revisions as I may deem proper.

Mr. WHITTINGTON. That permission is granted. We are interested in your statement and in having your objections to the bill.

Dr. SMITH. Let me say at the outset that this is an ominous proposal, to say the least. It may well foreshadow the complete extermination of private capitalism and its replacement by state capitalism. To those who have followed the growth of the American state and who have observed its ever mounting and insidious encroachment upon competition and the right of free contract, which has now reached the point where it threatens to entirely black out liberty in this land of ours, the measure before your committee comes as no surprise. It is more in the nature of a culmination of the development of statism, which has been progressing for many years, and by no means a first step in that direction as some seem to think.

The Patman bill starts out by saying that its purpose is—

To establish a national policy and program for assuring continuing full employment in a free competitive economy.

Under "Declaration of policy" it states:

It is the policy of the United States to foster free competitive enterprise * * * preserve and strengthen competitive private enterprise * * * stimulate and encourage the highest possible levels of employment opportunities through private enterprise * * * and stimulate increased employment opportunities by private enterprise.

In section 3, under the title "The National Production and Unemployment Budget" we read:

* * * the President shall set forth in such budget a general program for encouraging such increased non-Federal investment and expenditure, particularly investment and expenditure which will promote increased employment opportunities by private enterprise, * * * any of such programs calling for the construction of public works by the Federal Government shall provide for the performance of the necessary construction work by private concerns.

The National Resources Board in its 1942 report lists among other things under "New objectives,"

The right to live in a system of free enterprise, * * *

Under the title "A New Bill of Rights" in the 1943 National Resources Planning Board report one of the nine rights listed is—

The right to live in a system of free enterprise, * * *

President Truman, in his recommendation for full-employment legislation in his September 6, 1945, message to Congress listed four assurances to promote confidence, among which is the following:

Assurance that every governmental policy and program will be pointed to promote maximum production and employment in private enterprise.

Henry A. Wallace, champion of politically planned society, when he appeared before your committee in support of the full employment bill, was more than lavish in protesting loyalty to free enterprise which in part we quote as follows:

In addition to this general realization that unemployment on any considerable scale would be a deadly threat to our institutions and especially to our free-enterprise system.

First it states the central objective—full employment opportunity in a free competitive economy * * *

* * * a program for economic action to move toward and maintain the objective of full employment opportunity in a free competitive economy.

* * * the kind of basic legislation we need as the first step toward a program for full employment opportunity in a free competitive economy.

It is the minimum that we must have to start with in order to provide the confidence which is the essential basis of a healthy private enterprise * * *

It is confidence alone that will give is the healthy flow of purchasing power which is the life blood of the private-enterprise system.

* * * a program can be worked out that will provide sufficient employment opportunity in a free competitive economy, without departing from our traditional concepts of individual liberties, including private enterprise; * * *

Summarizing briefly, I am in favor of H. R. 2202 because I believe it is an essential step in creating and justifying the confidence that is essential to the successful operation of our private-enterprise system.

At nine different places in his testimony Mr. Wallace referred to private enterprise in this manner.

Mr. WHITTINGTON. You have them all in your statement?

Dr. SMITH. I have included all or nearly all.

Mr. WHITTINGTON. I observed he used these statements the other day.

Dr. SMITH (continuing the quotations):

Finally, I have said, and would emphasize again, that a positive program of action is necessary, and that it can be constructed without doing violence to our traditions and our institutions, and without ruining the financial soundness * * * of the country.

Concluding his testimony, Mr. Wallace said:

All these things add up to my strong support of H. R. 2202. I believe firmly that we can accomplish this task—I see that we must accomplish this task—and I urge that our time is limited and that the need is great.

Give us a good, strong legislative authorization and let us get to work.

Secretary of the Treasury Vinson, though not quite so repetitious in his asseverations of loyalty to free enterprise, nevertheless, when he appeared before your committee in behalf of this proposed legislation, left no doubt that he, too, wants to be recorded as being in favor of saving free enterprise. He said—

In fact, there are two fundamentals upon which the American people already are agreed. The first is that our economic problems must be solved within our system of free enterprise.

Our people want to keep the economic system under which this country achieved leadership. They know it offers the best hope of continued economic progress and higher standards of living. They will never abandon this system so long as they can cherish this hope.

The system of private enterprise has enabled the United States to outproduce every other country in the world, and to win this most destructive of all wars with a minimum loss of American lives and a maximum reliance on the products of industry. I am sure that the system of free enterprise will also enable us to win the peace, * * *.

Mr. John W. Snyder, Director of War Mobilization and Reconversion, in his testimony before your committee approving H. R. 2202, added his bit to these protestations. Said he:

In the eyes of our citizens, and indeed of the entire world, the attainment and maintenance of full employment in the United States of America is looked upon as evidence of the strength of our system of free enterprise.

* * * To these tens of millions of workers continuous job opportunities are vital, not only for enabling them to purchase the goods and services which sustain life, but also for the maintenance of their self-respect and their status as free individuals in a free society.

Such grave economic conditions are the greatest danger to the preservation of our free enterprise system.

* * * The misery and fear produced by widespread unemployment are fertile soils for demagogues who seek in devious ways to overthrow our American system of free enterprise and democratic government.

Assurance of stability and consistency in public policy, so that free enterprise can plan better by knowing what the Government intends to do.

The particular virtue of this bill lies * * * to achieve, in our Nation, a stable prosperity based on free enterprise and upon full employment and full production.

* * * The bill declares that the Government will encourage primarily private purchase of the products of private industry. First reliance in all cases will be upon our system of free enterprise and upon creating for it favorable economic conditions.

* * * Our main reliance for jobs will be upon expanded private consumption and private investment.

* * * This bill does not mean Government ownership, Government competition with private business. * * *

Mr. Harold D. Smith, Director of the Budget, in his testimony before you in support of H. R. 2202, said:

The bill proposes that the Federal Government acknowledge that it has the responsibility to provide opportunities for full employment through private enterprise with whatever Government support is needed.

Secretary of Labor Schwollenbach, in support of H. R. 2202 before your committee, said:

It is not only desirable but necessary that the Government of the United States give clear indication of its intention to establish a program which will result in full employment if our system of private enterprise is safely to maintain itself under the stress of the intricate problems of the postwar period.

It should be borne in mind that all these statements were made in unqualified support of the Patman bill.

Why these repetitious solemn affirmations of adherence to private enterprise by the proponents of this measure? Until recently we never heard of the need of instituting any governmental program to stimulate and preserve private enterprise in any manner such as this bill projects. Heretofore our people simply took it for granted that private enterprise was an integral part of our way of life. Why, I earnestly ask, this ever swelling solicitude for private enterprise by the proponents of this bill and all the adherents of a politically planned society, and their importunate yearning for power to save it

from being annihilated? What motivates this state of mind in those people?

Just what free enterprise do these people have in mind which they think needs rescuing, from whom or what is it to be saved, where is it and what constitutes free enterprise, anyway? These are vital questions and need to be answered, to do which requires that we get down to first principles.

Practically speaking, there exists but two basic social orders, that of status and that of contract. The order status is characterized by the regime under which the ancient Egyptians lived, and under which the Russian people live today. England and the United States are representative of the contract order, having progressed further in this respect than any other nation.

Under status State ownership and control of the means for providing the necessities of life predominates, each person's life is formerly fixed from birth until death by the comparatively few comprising the ruling class or clique, the many become automata and change their routine only at the will of their superiors. The few use the bodily powers of the many as a means of ministering to their own ease or pleasure, which is the essence of slavery.

Under the order of contract each individual from the time he reaches the age of discretion, is left relatively free to make his place in life, regulate his conduct by voluntary agreement with the other members of his group, and use his brain and brawn for his own sustenance and enjoyment, which is the essence of liberty.

Sir Henry Sumner Maine, in his work entitled "Ancient Law," says:

* * * the movement of the progressive societies has hitherto been a movement from status to contract.

Williston on Contracts defines contract as "a promise, or set of promises, to which law attached legal obligations." But this legalistic definition of contract is too narrow to comprehend the import of the term as we are here considering it. Contract as we are considering it identifies itself and is coterminous in its growth with the mores or customs of a people. It is an order or way of life where each person comes into possession of the fruits of his labor by mutual agreement with the other members of his group to exchange his efforts for theirs. The State does not exist to exercise compulsion.

In a contract society there are, of course, a great many different kinds of arrangements which come under the head of contracts—marriage vows, separation agreements, adoption, compromises, compacts between States, and so forth. Although these are essential to the contract order, we are not considering them at this time. For the present we are concerned only with a particular contract, namely, that which involves payment of money. This contract identifies itself with free enterprise, they being one and the same. It is to this contract that primarily the genius of our people, their inventiveness, their resourcefulness, their high standard of living and military strength must be attributed. Therefore, if there is something wrong with free enterprise, or if it is in danger of being blacked out, the disease lies at the heart of the pecuniary contract. If private enterprise has reached the stage where it needs wet nursing by the Federal bureaucracy, then we may be assured that something seriously has gone wrong without contract order.

Just what constitutes the contract we are considering? It is needless to go into any details. The contract is a voluntary agreement between two or more parties to mutually exchange their efforts with each other in which money is a prerequisite. The contract is the creator or instrument of credit, the foundation upon which the complex structure of the American enterprise system was built, but the ultima ratio, the thing which gave force to contract and made credit possible, was money. Without money contract and credit are nonexistent, unless resort is had to barter which is another matter.

It should not be necessary to get into any argument as to what constitutes money, because there is no reason to do so. Nothing more should be required than to point out what substances were used as money in the writing of the contracts that were involved in the creation of the American enterprise system. We know that the precious metals, silver and gold, the latter exclusively in more recent years, are the substances that were used as money and final arbiter of contracts throughout the history of our country until the period intervening between 1913 and 1934.

It was during this period that the social or producing group lost control of gold to the state. The nationalization of our gold did not wholly take place in 1933-34, as so many seem to think. As a matter of fact, the process of nationalizing the gold began in 1913.

I should like to have it made a part of the record that I believe an examination of the testimony I am presenting will show that it is wholly nonpartisan in nature; it ignores entirely any and all aspects of party politics.

It is a fallacy to think that the promoters of the "new order" really believe gold is a fetish and that it has outworn its usefulness and can be replaced by a better kind of money, as they would have us believe. The quarrel over money today is not whether a substitute can be found that will serve the purposes of mankind better than gold, but the whole question is, Who shall own and control the gold, the social group or the state? The high esteem which every government in the world presently has for the yellow metal and its wedded attachment to it should dispel any lingering doubts that might remain as to what constitutes money:

In the earliest periods of which history or tradition gives any account, and which are far anterior to any possible concert or agreement between different peoples, the precious metals sustained precisely the relation to the nature and wants of man that they do today * * * they always served as money in trade, and have always been esteemed the most desirable kind of property to hold.—Richard V. Poor, *Money and Its Laws*, page 4.

Not once in all history, to my knowledge, has the position of gold as money been seriously challenged. Today practically every government in the world recognizes, without qualification, gold as being the most desirable property to hold, perhaps as never before.

You may perhaps better appreciate the import of the point I am making if I remind you that in black markets in China and elsewhere in the world today gold is being sold at \$50 per ounce. If that be true—and I have no reason to believe it is not true—it should not be surprising, since it would merely reflect the universal urge of men that has persisted down through the ages, to convert their possessions into one or the other or both of the precious metals in periods of crises, because it is the best property to hold. Who in our country today, having the

means, would not buy gold at \$50 per ounce? And if there is any question in anyone's mind as to what constitutes money, ask Stalin, if he is still alive, who will tell you there is but one money in the world—gold.

But the monetary gold stores of the world are now almost wholly owned and controlled by governments. That which the members of the social or producing group in this and practically every other country are using for money is not money in any sense, but a kind of credit, a deferred promise to pay whatever the monetary and financial policies of the respective governments concerned may determine.

Full consideration of the evolution of the nationalization of gold in the United States would require much more space than can be devoted to it here. It would take us back and even beyond the founding of the Nation. We might by reviewing the thinking of the writers of the Constitution and examining that document find that they did not dispose of the issue relating to "bills of credit" in a manner so as to fully protect the development of a contract society, though there can be no doubt that they intended to do so. We would probably find by examining some of the monetary legislation which has been enacted since the Constitution was written and the court decisions bearing upon that legislation a considerable body of legal sanction of "bills of credit" running clear through our national history down to the Supreme Court's decision in 1935 abrogating the gold clause in contracts.

We should, however, mention the Supreme Court's decision of 1870 which made the act giving legal tender quality to greenbacks constitutional. It can hardly be questioned that that decision had a material effect in furthering the nationalization of our gold. It may be apropos to quote the prophetic words of William G. Sumner when referring to that decision in 1873 he said:

It will not probably take a war to overthrow the principle of the Legal-Tender Act, but it may take a national bankruptcy.

It is an error to think that the act of nationalizing our gold was wholly brought about in the years 1933-34. It is also a mistake to assume that the nationalization of gold would not have taken place except for the conditions produced by the boom in the 1920's and the collapse in 1929.

The primary forces which culminated the outright nationalization of our gold were set in motion with the advent of the Federal Reserve Banking System.

The Federal Reserve Banking System was never a private institution. True, its capital stock is privately owned and its holders receive dividends on their investment. Precisely at that point private interests end.

The Federal Government has always, through the Board of Governors, who are political appointees, completely dominated the policies and direction of the Federal Reserve Banks. The Federal Reserve Banking System is now and always has been little more than an arm of the Federal Government.

The provision in the Federal Reserve Act which required the Federal Reserve Banks to hold respectively 40 percent and 25 percent gold against Federal Reserve notes and Federal Reserve bank deposits gave the Government control of the use of gold and was essentially a process of nationalizing it.

This provision caused the gold to be drained out of the privately owned banks and pockets of the people and centralized in the Federal Reserve Banks.

Since the abrogation of contract which primarily underlies any substantial potential inability that exists on the part of private enterprise to provide normal employment, and since it is the nationalization of gold which brought about this abrogation, it is important that we understand the steps that were taken to effectuate this final act.

I would like to point out to this committee an important situation which exists with respect to our finances, and which has the most profound bearing upon the bill you are now considering, and also which had to do with the nationalizing of our gold. This consists of the creation of bank "money," through the "sale" of Government securities to the commercial banks. The process is essentially the same as though the Government printed currency outright. It was started in 1917 to assist in raising funds for the prosecution of the war. By the middle of 1919 the commercial banks held under this arrangement in excess of \$5,000,000,000 in Government securities, a small amount of which, however, represented Government securities held as security against national bank notes prior to the war.

This method of financing Government costs was practiced during the depression. The amount of direct Government obligations held by the commercial banks rose from \$4,930,000,000 in 1929 to \$13,065,000,000 in June 1940.

The Treasury has leaned heavily upon this source to raise revenue to finance costs in connection with World War II. As of June 30, 1945, the amount of Government-created bank money was \$84,000,000,000. To this must be added potential Government-printed bank money in the form of United States War Savings bonds, which as of the above date amounted to \$45,600,000,000. These bonds are all fully redeemable within 6 months from date of purchase and have been sold to the public on the assumption that they will be available as cash for the purchase of refrigerators, automobiles, and other commodities after the war. To convert them into cash it will be necessary for the Government to raise the needed money by one or all of three ways, taxation, which almost certainly will not be done; by selling its obligations to private investors other than those now holding War Savings bonds, by no means a too happy prospect either; or by creating deposit credits in the commercial banks, which is the most likely.

Thus we have a total of approximately \$130,000,000,000 of actual and potential Government-printed bank money in our economy, all of which represents new money.

The staggering Federal debt is ominous to contemplate but this redundancy of claim, not purchasing power, as it is erroneously called, to the wealth of the Nation, may prove to be a greater peril than the debt, at least in the near future. And we have not mentioned the great increase in the Federal Reserve note circulation, as well as other currencies. The total amount of "money in circulation" increased from \$4,890,000,000 at the end of 1929 to \$27,685,000,000 on August 31, 1945.

Now deficit financing by this method is wholly incompatible with the use of gold by the social group in making contracts, because when

gold is permitted to freely circulate, wholly unrestricted by Government action, it quickly exposes even the slightest depreciation of paper currency that takes place. That is one of the main functions of gold.

Under a regime where gold is nationalized and paper currency becomes permanently inconvertible, the mere fact that it is not available for making exchanges and writing contracts permits concealment of depreciation, and by means of price and wage fixing, rationing and numerous other political devices even great depreciation can be concealed, at least from the masses, for shorter or longer periods.

It was inevitable that the Government should forcibly relieve the social group of all title to and control of gold, once the policy of raising funds for deficit financing as heretofore described become securely entrenched.

In this connection it might be apropos to recall the warning given by Senator Root, when the proposal for enacting the Federal Reserve Act was being considered by Congress, that the Federal Reserve Banking System would not provide an elastic currency, as was claimed by its sponsors, but only an expanding currency.

The program of levying surtaxes on incomes was hailed by its sponsors and is still being proclaimed by many politicians as a great boon to the poor. Here at last was found, so we were told, the golden key that unlocked the long sought for secret of relieving the common man, whoever he is, of carrying an unjust burden of taxes and making people pay taxes "according to their ability" to do so, of, indeed, "soaking the rich" good and hard.

But what is the real story in respect of this system of taxation? Has it ever been or is it now the boon to wage earners and the other lower-income groups we have been assured would be the case?

It has been nothing of the sort. Instead of being a blessing to those groups it has been to them as baneful a system of taxation as ever was devised.

Certainly it has relieved the owners of private industry of a goodly portion of their profits, which when presented to the public in the proper manner makes good advertisement for politicians to show their deep and affectionate concern for the poor and downtrodden.

But, alas, this scheme of taxation has, by capturing profits destroyed capital formation in industry and, hence, employment opportunity. This bill before you to make the Federal Government responsible for furnishing employment to all who are able and want to work is predicated on the assumption that industry lacks the necessary capital to provide full employment. Why else is the following language, as contained in section 2 (e) on page 3, written into the bill:

To the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment.

The irony of it all is that the Federal Government is itself, by levying surtaxes on incomes, primarily responsible for shortage of capital it now seeks to provide by what it calls Federal investment and expenditure.

But wage earners have been stung twice. Not only have they lost the job opportunities which would have been theirs if no surtaxes on income had been levied, but they have taken on an additional burden of taxation to support the bureaucracy which was made possible by the surtax program. The low-income groups must always pay the bulk of taxes, no matter how or upon whom they are levied, for the simple reason that all taxes must in the end somehow come out of the sale price of services and commodities or production, the greater portion of which is purchased or produced by these groups.

One of the main sources of the enormous growth of the Federal bureaucracy is surtaxes on incomes.

It is hardly necessary to relate in detail the final steps that culminated January 30, 1934, in forcing the social group to permanently surrender their gold to the Federal Government. The events which attended this final act are too fresh in our minds to need relating here.

The social order of contract upon which this Nation was built has been exterminated. The process was slow and insidious and very few realized that it was taking place until it had been almost completed. Confidence in the monetary and financial system seemingly did not become seriously affected until our gold was finally and avowedly permanently taken from us. There can be little doubt, however, that that act brought a fuller realization to the forward-looking industrial leaders and to most people who had savings to invest that something serious had happened to risk capital.

People having savings to invest were estopped because they had no assurance that the money they might lend would be of the same value when paid back to them as it was when they loaned it. Since contracts could no longer be written in terms of gold, but only in terms of forced currency, whose value is dependent upon day to day Government policy, they became skeptical.

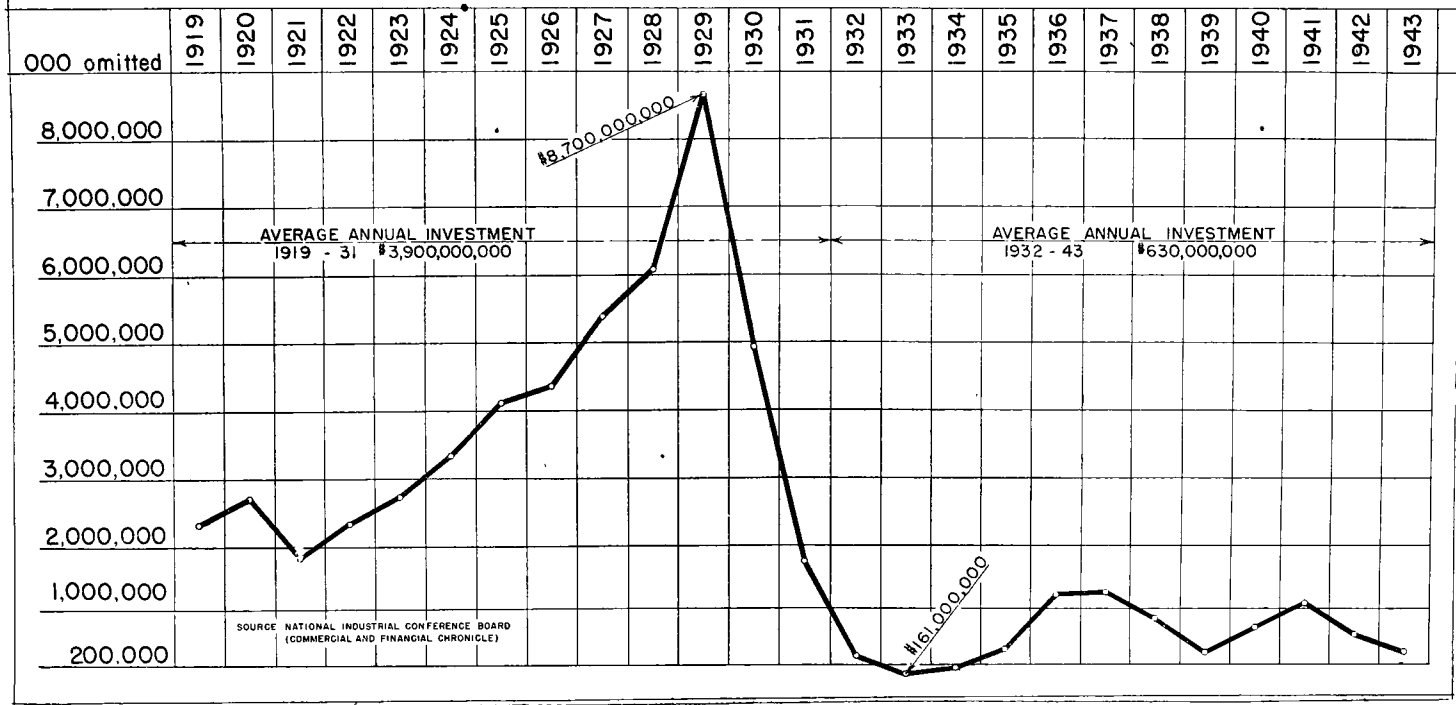
It is almost instinctive among the peoples of most of the world not to put their trust in investments which are written in terms of forced currency, promises to pay that are not convertible into gold. This is especially manifest in respect of long-term contracts.

Now the proof that the abrogation of the gold clause in contracts, by the nationalization of gold, seriously affected the confidence of investors can be shown by many examples. A study of the relative amount of new capital that was invested in corporations in the years following 1931 as compared with that invested in the years preceding that date, as shown on the chart I am exhibiting, is a good illustration. According to figures furnished me by the National Industrial Conference Board, the average amount of new corporate flotations from 1919 to 1931 was \$3,900,000,000, while the annual amount of new corporate flotations from 1932 to 1941 was \$630,000,000. That is, the annual amount of new corporate flotations in the years following the prohibition against the use of gold in the writing of contracts was only 16 percent of that prior to this act.

Mr. RICH. Sixteen percent?

Dr. SMITH. Sixteen percent. The argument has been made that more capital was invested during the period 1919-31 than was necessary. For argument's sake I will accept that statement, but no person who is familiar with the facts will assert that this represents anything

CORPORATE SECURITY FLOTATIONS 1919 - 1943



like normal. You are looking here at one of the most unwholesome pictures that ever confronted this country.

Mr. RICH. You mean that confronts the private enterprise of America?

Dr. SMITH. Yes.

Mr. RICH. And when private enterprise goes by the board, American Government goes by the board.

Dr. SMITH. Now, get my point: The reason for this is, in great measure, the extermination of contract, which was our free enterprise; the annihilation, in other words, of gold as an element in contract.

Mr. RICH. Mr. Chairman, I suggest that the gentleman make that chart a part of his testimony. Let us have it in the record.

Mr. WHITTINGTON. Very well.

(The chart referred to appears on p. 1061.)

Mr. WHITTINGTON. It is commonly asserted by those who seem none too sympathetic to the contract order and a free market, and who strive for more and more State intervention, that if private industry does not furnish the requisite number of jobs that the Government will step into the breach and do the task. Is it really any longer a question of "if private industry fails to do the job"? How possibly can it be expected that people will lend their savings, such as they are still permitted to keep, for the development of additional productive facilities fearing that the money which they might lend will be worth less when it is repaid them?

Of course, the huge backlog of consumer demand will probably tend to provide a reasonable degree of full employment until this demand is satisfied. But once this demand has been met can it be expected that such semblance of private industry as still remains will be able to maintain those conditions which make for a high degree of employment unless the Congress takes drastic action in correcting the fundamental disorders that afflict our monetary and financial system, the first and foremost being the restoration of a money to the economy?

Industry has withered in every recorded instance of disordered currency, and a disordered currency has invariably been caused by state tamperings with money. Examples are legion. It has been stated by competent persons that it took France 40 years to overcome the evils caused by the debasement of her currency during the time of the Revolution. The disease which afflicted her currency then was very mild compared with that which afflicts ours now.

I should like now to advert for a moment to the bill itself. President Truman, in his September 6 message to Congress, urged passage of full-employment legislation. He said:

A national reassertion of the right to work for every American citizen able and willing to work—a declaration of the ultimate duty of Government to use its own resources if all other methods should fail to prevent prolonged unemployment—these will help to avert fear and establish full employment.

Mr. Truman does not say how this—

national reassertion * * * would help to avert fear and establish full employment.

One cannot help but wonder what and whose fear he has in mind which would be averted.

Could it be expected that a declaration by the Government "to use its own resources" to provide employment if private industry fails to furnish enough jobs to go around would relieve the fears of employers?

Would not such a declaration have just the opposite effect? Is not industry already hampered and frightened to the point of almost giving up because of such programs as the measure before you envisions, and because of such declarations as that which we are presently discussing? Could anything possibly be more calculated to scare potential risk capital and management than such a declaration?

It should be interesting to know just what the President means when he speaks of the Government using—

its own resources if all other methods should fail to prevent prolonged unemployment.

Just what resources does the Government possess which it can call its own, and which it could use to make work? If the Federal Government has any assets over and above its liabilities, I should like to know what they are. True, the Government has some 8 to 10 billion dollars' worth of buildings and land here in Washington and elsewhere, but, so far as I know, these do not fetch much rent or other forms of revenue—not enough, at least, to furnish many jobs. The Government owns a lot of gold, but that is mortgaged to the hilt.

Then, of course, there are the Government corporations—Commodity Credit, Federal Farm Mortgage, Federal Deposit Insurance, Reconstruction Finance, and so forth—which have a book value of invested capital amounting to \$13,212,000,000.

In addition, the Government has invested \$14,056,000,000 in such agencies as the War Shipping Administration, United States Maritime Commission, National Housing Agency, and so forth.

Now, from my examination of such balance sheets and other financial data relating to these agencies and corporations as I have been able to obtain, I am inclined to believe that their net worth is considerably less than their present book value would indicate.

If we take into consideration the Federal debt, which will probably reach the \$300,000,000,000 mark, it would seem that the Government's balance sheet shows it to be pretty much in the red. I can't make out where it would have any net capital with which to do business and provide employment.

It is possible the President may have had in mind resorting to the use of the Government-owned plants which were constructed for the production of war goods as a means for providing employment. But here, too, we run into some difficulties. The Reconstruction Finance Corporation—that is, the Government—now has title to about \$7,500,000,000 worth of such plants. The policy is to either sell or lease all of them to private industry. The money derived from the sale and lease of these and other plants must be applied to the Federal debt, if accounts are to be kept properly.

It is hardly likely that the President had in mind the Government-owned plants and facilities when he referred to the Government's own resources. What he probably thought of was the power of taxation. He likely was also thinking of another source from which the Government might derive revenue besides that of taxation, which comes nearer to being expropriation than taxation. I have already indicated that

the Government has created \$84,000,000,000 of bank-deposit credit by the simple process of depositing its securities in the commercial banking system. Indeed, outright taxation and this Government-created bank money are the only two sources available to the Government for the raising of funds to finance job opportunities.

From the estimates of others that I have seen, as well as my own, it is difficult for me to comprehend how any Congress or administration would run the risk of trying to collect any more taxes than will be required to service the debt and pay the operating costs of the Government. Estimates for the cost of these items run as high as \$30,000,000,000 annually, but whether the figure be that or no more than 20, it is my opinion that no political party would dare attempt to add any substantial amount of taxes to those required for servicing the debt and paying operating costs for the purpose of raising revenue for investment in private industry to promote employment.

The principal source from which the Government could derive revenue to invest in enterprise is Government-created credit; that is, in substance, printing-press money.

To be sure, the Government might and likely would be able to sell some of its obligations to private investors, as it is doing now to aid in financing war costs. By keeping the gold nationalized and forcing people to withhold confidence in the investment of savings in what is left of private enterprise, of course, Government securities are the best and safest investment, because the basis upon which private investment rests has been destroyed and people will of necessity have to invest what savings they possess and wish to utilize for that purpose in Government securities. This is the system now in operation in the Soviet State. What little savings the people of that country are able to accumulate must be lent to the state authority or remain idle. The fact is the Soviet State may and does forcibly exact such savings from the people and calls the procedure investment.

The method of raising funds by selling securities to private investors is not objectionable in a war emergency, but as a peacetime policy to provide employment it is a fallacy of the first order. The whole idea that the state has power to increase employment over that which can be provided by private industry operating in a free market where the relations of persons are determined by voluntary contractual engagements is the grossest delusion. Frederick Bastiat, one of the very few straight-thinking students of society, had something important to say on this point:

Let us then study the question in its twofold bearing. While we mark the destination which the state gives to the millions voted, let us not neglect to mark the destination which the taxpayers would have given—and can no longer give—to those same millions. You will then understand that a public enterprise is a medal, with two sides. On one appears a workman employed, with this device: "What is seen"; on the other, a workman employed, with this device: "What is not seen."

As a temporary measure, in a time of crisis, during a severe winter, this intervention on the part of the taxpayer may have good effect. It acts in the same way as an insurance office. It adds nothing to work or to wages, but it takes the work and wages of ordinary times, to bestow them, with loss it is true, on period of difficulty.

As a permanent, general, systematic measure, it is nothing but a ruinous mystification, an impossibility, a contradiction, which shows a little stimulated labor which is seen, and hides much prevented labor which is not seen.

In these few words are clearly explained the fallacious theory that the state has the power to create employment in the sense of adding to that which private enterprise can furnish.

We are safe in going even further than this. Since the state must obtain any resources it utilizes for the purpose of providing employment from the group who directly produce the necessities of life, it can never create as much productive employment as it destroys. Mark I said "productive employment," not just mere employment. This should be axiomatic. A comparison between the man-hour productivity under private capitalism in the United States and that of those European states which are now and always have been dominated to a greater or lesser degree by state capitalism, and especially that of Russia where private capitalism has been completely exterminated and replaced by state capitalism, should be sufficient to prove that a program such as this bill embraces could not possibly fail to destroy more productive facilities than it could create.

The Patman bill before you does not contain a comparable provision to that in section 2 (d), 4, of the Senate act, S. 380, which ostensibly provides for limiting Federal expenditures to tax receipts. In any event it is hardly likely that the Patman bill would be enacted without some ostensibly limiting provision such as that contained in the bill passed by the Senate. Indeed, in my opinion, the provision in the Senate bill can be used by the proponents of this measure as a bargaining weapon which I doubt not is contemplated. The provision referred to is found on page 5 of the Senate bill and reads as follows:

That any program of Federal investment and expenditure for the fiscal year 1948 or any subsequent fiscal year when the Nation is at peace shall be accompanied by a program of taxation over a period comprising the year in question and a reasonable number of years thereafter is designed and calculated to prevent during that period any net increase in the national debt (other than debt incurred for self-liquidating projects and other reimbursable expenditures) without interfering with the goal of full employment.

Mr. WHITTINGTON. That is the bill as it passed the Senate?

Dr. SMITH. Yes.

Mr. WHITTINGTON. Whose amendment was it?

Dr. SMITH. I don't know.

Take the phrase "a program of taxation over a period comprising the year in question and a reasonable number of years thereafter." Say a program of investment and expenditure amounting to \$10,000,000,000 had been decided upon. According to the formula a program of taxation spread over a number of years would be set up to provide a sufficient amount of taxes to amortize the \$10,000,000,000.

What would be considered a reasonable number of years? The Federal Government is making domestic and foreign loans extending over a period of 30 years. Would this be considered a reasonable number of years? Or, would 60 years, the time required by the United States Housing Authority to finance the construction of the so-called slum dwellings, be a reasonable number of years? How possibly can the term "reasonable number of years" have any meaning, especially in view of the philosophy of deficit spending which completely dominates Federal financing, and which is the very foundation upon which the Patman bill now before your committee is predicated?

But even this doubtful provision for limiting Federal investment and expenditure to tax receipts specifically earmarked for those purposes is still further vitiated by the language, "other than debt incurred for self-liquidating projects." What are self-liquidating projects? Before the advent of the art of conjury in semantics and the neo-science of language twisting in the writing and interpretation of laws any 8-year-old child could have answered this question. But since their introduction into the body politic it would seem to require something in the nature of wizardry to figure it out.

Take, for example, the United States Housing Authority and its operations. The low-rent and slum-clearance program was sold to Congress and the country on the idea that it would be self-liquidating, notwithstanding the fact that both the statute and the several contracts that are involved in the program provide exactly the contrary. The way those projects are liquidated is something like this: Assume a slum project costing a million dollars. The United States Housing Act provides that the Government shall extract \$1,000,000 from the pockets of taxpayers for its construction. Actually, however, the Government obtains this money by borrowing. Then the act further provides that the Government shall, over a 60-year period, extract from the pockets of the taxpayers another million dollars to pay back to the taxpayers the first million dollars taken from them. Since the money to be raised over the 60-year period to pay back to the taxpayers the money borrowed from them in the first place is raised by deficit financing, it means that the debt created thereby draws compound interest which at the rate of 2 percent will double itself in about 35 years. Though this is the most expensive housing that has ever been constructed in the United States, and no part of its cost is self-liquidating, but on the contrary the cost continually and without any predictable end increases, nevertheless the promoters of this scheme persist in calling it low-rent housing as well as self-liquidating, and not a few people believe it.

And how shall we interpret the last phrase of this proviso: "Without interfering with the goal of full employment"? It seems to me the previous language is explicit enough to permit unlimited deficit financing without adding this other language. If there is one thing more than any other that the writers of this bill wanted to make certain, it is that of providing the Government with sufficient power to spend without any limit whatsoever.

MR. WHITTINGTON. Is that your interpretation of that clause, that last clause?

DR. SMITH. I would not say that it all hinges on that particular clause.

MR. WHITTINGTON. But I say is that in line with your interpretation?

DR. SMITH. Yes.

Theoretically, the Soviet state has eliminated unemployment. It had unemployment insurance but has abolished it. But what method did it use to assure full employment? It set up a system of conscript labor. Every able-bodied person was forced to work; none could refuse. Workers in the Soviet Union have no choice in respect of the kind of work they must do. That is selected for them by their mas-

s. The police see to it that orders are carried out. We are a short-
 1 people if we think that we can make the Federal Government

responsible for full employment without providing it with all the instruments to carry out such responsibility. Unlimited power of coercion would be just as essential to our Government to effectively carry out such an undertaking as it is in Russia.

The Senate and House bills are essentially the same. Both provide for sufficient political machinery and state power to make almost inevitable sufficient implementing legislation to exterminate what is left of private capitalism and its replacement by state capitalism. Both are patterned closely after the Soviet system. If any member doubts this I suggest that they read L. E. Hubbard's book entitled, "Soviet Money and Finance." Mr. Hubbard is the Bank of England's expert on Russia and his work on this subject is considered by informed persons as being thoroughly reliable.

Mr. WHITTINGTON. What is the name of the work?

Dr. SMITH. Soviet Money and Finance, by L. E. Hubbard, who is the Bank of England's expert on Russia. It was written in 1936. Every Member of the House of Representatives ought to read this book if they have not already done so, and decide whether or not this bill follows the Soviet pattern.

The Senate and House bills, in sections 2 (d) and 3 (b), respectively, provide for state planning with respect to taxation, banking, currency, monopoly, wages, working conditions, foreign trade, investment, agriculture, social security, and natural resources.

The Senate bill, in addition to the above, provides for planning in connection with credit, hours, education, housing, public works services, works, and research and other revenue, investment, expenditure, or regulatory activities of the Federal Government.

Both bills specifically provide that the Government's activities shall not be limited to the subjects listed and thus leave open the whole field of economic and social activities into which the state may enter to carry on its planning activities. The field of planning, under this bill, is to all intents and purposes, as comprehensive as that of the Soviet state.

Unlimited deficit financing is permitted under both bills, is indeed the basis of financing the scheme. Deficit financing is one of the main pillars of the Soviet system.

Both the Senate and House bills would make it the responsibility of the Federal Government to assure or guarantee every able-bodied person remunerative full-time employment. The Soviet Constitution guarantees to every one of its subjects "the right to work."

Both bills would completely centralize all planning in Washington in the hands of a single individual—the President of the United States—just as all planning of the Soviet regime is presently centralized in Moscow in the hands of Stalin.

With respect to the meaning of the provisions contained in section 3 relating to what is called the national budget I have no comment, since I do not consider myself as being omniscient or omnipotent. Only God knows what is embraced in that section.

It so happens, however, that some light is thrown on what can be expected to be the effects of the operation of the national budget if this irrationally conceived device is given legal sanction.

The Soviet state operates under a national budget. So far as I am aware Russia is the only country that has this sort of political

device. She has an army of statisticians, as good ones as are to be found anywhere, figuring out all the things that would be called for under section 3 of the Patman bill. However, it is not statistics that makes the Soviet system click, but the knout and concentration camp. Without these instruments of coercion, torture, and death the stupidity of trying to run the Russian economy by statistics would have blown up long ago.

One extremely vital factor which would profoundly influence the undertaking of state planning, as outlined in this bill, is the unstable basis upon which the value of our currency is predicated. All of the estimates and calculations which would be involved in arranging the financing of a planned production and distribution program would be vitiated because of this fact. Undoubtedly one of the greatest handicaps suffered by the Soviet regime in its managed economy and which has brought upon the people living under it the greatest hardship and suffering has been the instability of its currency. The principle adopted by the Soviet Union of making the exchange value of money dependent upon the caprice of government officials instead of the universal consent of all the people in a free market and contract order underlies the whole process of coercion which now dominates the lives of the Russian people.

The Soviet economy is chronically afflicted with deficits in one place and another. These deficits are not infrequently met by the simple device of printing money. This means further depreciation of the currency, which is bound to more or less vitiate planning based on statistical data. As with the national budget, Soviet money works, not because it has any intrinsic worth, or because of any integrity possessed by Soviet officials, but again by the fearful weapons of coercion, the knout, and concentration camp.

It should be realized that the United States too is under the domination of the same kind of money as that which has so terribly bedeviled the Russian people. Just as prevails under the Soviet regime so our money is given its value by the arbitrary dictates of the men in control of our Government. Just as this kind of money is inimical to the welfare of the Russian people as a whole and of the toiling masses in particular, so the money we are now forced to use is likewise deleterious to the interests of our people in general and to those who must toil with their hands in particular. Those persons who work for a daily wage and all others whose incomes are comparatively low have been led to believe that the so-called new order which has been ushered in is a great boon to them are being gravely deceived. Never in the history of America were these groups less secure than they are today.

One needs but read with an open mind the history of the evolution of money to be convinced of this. One of the most outstanding facts of history is the immeasurable amount of suffering caused the toiling peoples of the world by state tinkering and debasements of money. The hell around the earth we now witness can in great measure be traced to that source.

Just a word or two about statistics, and then I shall have completed my statement. If we must have a politically planned economy based on statistics I would suggest as a basis for all other statistics data showing the percentage of fulfilled promises made by politicians and the percentage of laws passed by Congress that worked out in ac-

cordance with their avowed purposes. So as to be certain of arriving at true statements of fact I would further suggest the following: The establishment of two bureaus, Democratic and Republican, the former to be appointed and their salaries paid by the Democratic National Committee and the latter by the Republican National Committee. Then have the Democratic bureau go into the promises made and the legislation enacted by Republican administrations and pass judgment on their merits and vice versa.

This procedure could not, of course, bring to light all the facts, but I believe it might accomplish about as perfect a job and form as sound a basis for a politically planned society as we could possibly hope for.

MR. WHITTINGTON. As I understand, it is your position that we have already embarked on statism, and that the expressions in this bill for "free enterprise" are mere lip service?

DR. SMITH. I do not like, Mr. Whittington, to be unfair, but I have a feeling that that is the case. But would you allow me to add that I am not saying that all the people who endorse these bills are deliberately doing that.

MR. WHITTINGTON. If we have not departed from the private enterprise system, you feel that some people at least are using the expression here as lip service. What objection would there be to our declaring that we believe in reaffirming our belief in free enterprise and the competitive system in any effort that may be made to provide for full employment?

DR. SMITH. You mean strike out the title of the bill?

MR. WHITTINGTON. Yes; and section 2 of the bill. What objection is there to making that declaration, that we believe our free enterprise system should be used in promoting employment and full production?

DR. SMITH. I can see no harm to be done in a statement of policy if it is followed by proper action.

MR. WHITTINGTON. Assuming that that is true and that we would undertake to provide for full production, is it your view that we cannot do it by public works, by public spending alone, or generally by public works or by spending, but that we have got to eradicate the causes of unemployment?

DR. SMITH. Yes. And let me add this, Mr. Whittington: A declaration by the Government of intention to return to the contract order, which means a return to the use of gold in the writing of contracts, is a primary requisite for restoring the confidence that is essential to the establishment of the conditions which must obtain to provide the fullest amount of productive employment. Appropriate action, of course, would be necessary to obtain such confidence.

MR. WHITTINGTON. Well, isn't it true, as matters stand now, that there is a very material work for Congress and the committees to do in the matter of our currency, whether it be return to the gold standard or something else, if we are going to compete with Great Britain? Because people who have gone abroad and traveled in foreign countries say that the British pound is there that the sterling bloc obtains, and you have got to convert American money and other currencies into British pounds, and that the United States is out of business in foreign trade.

Dr. SMITH. If we went back to gold——

Mr. WHITTINGTON (interposing). No; I don't say that. Isn't there something now, if we are going to promote foreign trade, that we have got to do in Congress to compete with Great Britain in foreign trade, when this statement comes to me, as I presume it has to you, that when our people go abroad they find Great Britain is there with her trading and that the American dollar has got to be converted into pounds before the American system can use it in foreign countries?

Dr. SMITH. That is correct. Of course, I think Congress should always be interested in doing whatever it can to increase our foreign trade.

Mr. WHITTINGTON. Let me ask you this: What is the place of public works in the ordinary budget of the Federal Government? What type of public works or construction should the Government engage in, in your opinion, in normal times?

Dr. SMITH. It should construct only those public works which are essential to the operation of the Government.

Mr. WHITTINGTON. I understand, but I am just trying to get your view as to the general principle of public works. Should the Government in normal times—by the word "normal" I have in mind not necessarily providing people with jobs—would you like to have the Government build public buildings, Government buildings only? What would you say about highway construction?

Dr. SMITH. Should the Federal Government go into highway construction?

Mr. WHITTINGTON. Yes; either in whole or in part.

Dr. SMITH. The Federal Government has a long-established policy of matching State funds for the construction of so-called national highways and has expended large amounts for the purpose. I doubt the wisdom of Federal Government matching funds with States for any purpose. I think it wrong in principle, that it leads to great waste and inequity. I think the Federal Government should leave road building to the States altogether so long as Federal funds for matching must be raised by deficit financing.

Mr. WHITTINGTON. Generally, what percent of the national income is expended in construction in private enterprise, when there are prosperous times? What is your statement on that?

Dr. SMITH. The percentage is rather small.

Mr. WHITTINGTON. My general recollection is that whenever the total construction of the country is around 12 to 13 percent of the national product, there is a rather high level of employment in the country. Assuming that that is true, if the construction falls below that figure, would the normal public construction that the Government does within a well-regulated budget—could it be expanded so as to stimulate in an economic way prices that occur in private construction?

Dr. SMITH. Yes, Mr. Whittington, I think it could be helpful if the construction were actually limited to the necessities of the Government.

Mr. WHITTINGTON. And if the State supplemented that by expanding their construction in the periods of economic fluctuations, I am just wondering if that would not stimulate private construction and thereby promote employment.

Dr. SMITH. Mr. Whittington, temporarily, yes; but fundamentally and in the long run, no.

Mr. WHITTINGTON. To stimulate it and get it back somewhere near normal? It has served its purpose but not to be continued, because there is no occasion for it when we get it back to normal. Now, if you were asked as a Member of Congress, what would be your answer as to how the Government could promote—not provide—full production and employment?

Dr. SMITH. I think I have already answered that question.

Mr. WHITTINGTON. Give us just rather a summary.

Dr. SMITH. I think we should give concrete assurance that we—by the word “we” I mean Congress—intend to discontinue deficit spending, balance the Budget, reduce the Government bureaus sufficiently to convince the public that we mean business, and the further assurance that the Government intends, within a certain period, to return to the people the use of the gold that is now hoarded in the vaults of the several mints. And, Mr. Whittington, let me emphasize that these things must be done if we would restore and maintain free enterprise in America.

Mr. RICH. You just mentioned about cutting down the Federal pay roll. How about cutting out a lot of the functions that the Government is doing now?

Dr. SMITH. Of course, that would be included, naturally.

Mr. WHITTINGTON. Assuming now that we could not get a declaration to go back to the gold standard, what can we do, outside of that, outside of declaring that we are going to have an immediate balancing of the Budget? Would you suggest anything that we might do to stabilize or promote—both stabilize and promote—full production? Because it occurs to me that generally we had full production on the part of private industry during the war for the production of war materials; now, can we stimulate full production or something comparable to it in peace?

Dr. SMITH. You can give the appearance of doing that, or you may even do it temporarily, but that would only be digging deeper our own graves in the long run.

Mr. WHITTINGTON. Yes. I am inclined to think that, although, for this reason, personally, I do not think that is enough, because, as I view it, I feel that the philosophy underlying the House bill is unsound. I feel that the philosophy underlying the Senate bill is unsound. In fact, I feel that both the declarations are unsound. I say if we continue on along the line of doing we may get into further trouble. If we can suggest or propose something that is constructive, I would like to do it. That is my view about the matter, because I believe in our free-enterprise system; I believe in the matter of public works, that the Government should accomplish works that are of and in the national interest, and are definitely a public function. I believe we ought to remove the causes, if we cannot remove them all at one time, continue to remove as many as we can of these causes of depressions. Whatever I do I want it to be rather constructive, or at least I want to think that way.

As you know, this is an imperfect and if not impossible thing, both sections 3 and 4, that is something that the President submits with just the aid of the heads of the departments that he has now, and without

any other information except the advice of those indicated. I would like to have some information, because I think we should see where we are going, and where we will be when we finally arrive there, and see further that if we are going to balance the Budget that it is done in the right way. Obviously, if we are going to balance the Budget, then I say that it is the proper function of not only this committee but for every committee in Congress to examine anything which would lead in that direction, or which would tend to lead away from it.

Mr. RICH. Dr. Smith, we have been told, that is, this committee, that it is essential that we get this legislation to the House of Representatives and placed on the statute books as soon as possible. With your knowledge of the conditions of the country so far as jobs are concerned, can you tell us any reason why it is immediately necessary that this legislation be passed?

Dr. SMITH. No; I cannot. I cannot think of any.

Mr. RICH. Do you hear from your district as to, and from your knowledge of your district personally, anything to indicate an overabundance of labor?

Dr. SMITH. We do not have that situation existing in my district.

Mr. RICH. You have no overabundance of labor?

Dr. SMITH. That is correct. We have no overabundance of labor.

Mr. RICH. I know that is the same in my district, I know that we have more jobs than people to fill them, and I take it you have the same in yours.

Dr. SMITH. That is the same situation that now exists in mine.

Mr. WHITTINGTON. In other words, there is a scarcity of labor in your district?

Mr. RICH. Not so much that, but we have more jobs than there are people to fill them.

Dr. SMITH. That is the point. There are more jobs open than people to fill them.

Mr. HENRY. In other words, you want the record to show that you have an overabundance of work and a lack of people to take up that work work in your district; is that correct?

Dr. SMITH. Yes, Mr. Henry; that is quite correct.

Mr. RICH. Is it necessary, if we want to get this country on its feet after the war, for everybody to go to work?

Dr. SMITH. I would say that is quite true.

Mr. RICH. If we want the reconversion, and the Nation to prosper, the more we are dilatory in putting the people back to work, and not having the people to do the work, then it is essential that something be done, otherwise the slower that takes place the more detrimental that is going to be to our national welfare; is that so?

Dr. SMITH. That is the way I view it; yes.

Mr. RICH. In reading this bill, Dr. Smith, do you believe that it is wiser not to have a large committee to aid and assist the President in determining what we shall do to create jobs, or what the condition of the country is, or do you think we would be better off with a larger committee.

Dr. SMITH. Mr. Rich, I cannot suggest any changes in this bill. Every line is objectionable to me. If it is passed with everything stricken out of it except the title it will do damage to confidence. The mere consideration of this proposal by Congress does violence to the true spirit of enterprise.

Mr. RICH. This bill H. R. 2202? That is the one to which you refer?

I am getting post cards and letters by the hundreds to pass this bill, H. R. 2202, as is, without any amendments. Do you think that the people who are writing those cards know exactly what the bill contains?

Dr. SMITH. I know that many of those people do not understand what is involved.

Mr. RICH. They want jobs for everybody. Do you know of anybody in Congress or anybody anywhere with whom you are connected that does not want a job for the man who wants to work?

Dr. SMITH. I do not know of anyone.

Mr. RICH. That is the natural thought in the minds of most Americans, that they want a job, and they want to work to earn their living.

Dr. SMITH. That is true I believe of most Americans.

Mr. RICH. It is a question of how you are going to best create that job and that situation. From your statement I inferred that private enterprise, if it is properly encouraged, will create more jobs for less money so far as the Government is concerned, than any other way that they can be created?

Dr. SMITH. Really, you have to restore free enterprise first. It does not exist today in the sense that we knew it. The basis of it is gone.

Mr. RICH. In other words, we have had so many government regulations that free enterprise is free no longer.

Do you think that there is anything in this bill that will destroy further free enterprise?

Dr. SMITH. The whole idea involved in this bill is inimical to free enterprise.

Mr. RICH. I am referring to free enterprise as it did exist.

Dr. SMITH. It could not do otherwise.

Mr. RICH. Has the sentiment gone out over the country, since the President made his statement the other day that he wanted the committee to report this bill out, that the bill will give full employment to everybody that wants a job?

Dr. SMITH. Yes.

Mr. RICH. The President let it be known in his speech during the past week that this bill should be passed, and if it was passed, it would create jobs for everybody who wants to work; is that the impression that the country has now?

Dr. SMITH. Well, politics is politics, of course.

Mr. RICH. As to this I am not interested in politics.

Dr. SMITH. I might say, as I read the testimony of Mr. Wallace—if I understand it correctly—he said that very thing.

Mr. RICH. I might comment on a letter I received today from the State of Georgia. That is not my State and he is not one of my constituents, and I do not believe that this fellow is talking about politics, because he would not be writing me if he were. He says, in part:

DEAR SIR: I was pleased to note in today's press that you had taken exception to President Truman's speech Tuesday night in which he criticized holding up this bill which would give these loafers \$25 a week for 26 weeks. The public is fed up with this business because they know the true conditions. Here are the conditions as to labor in Atlanta. Before VJ-day there were less than 500

being paid unemployment compensation. Last week the United States Employment Office had applications from small and medium business for over 8,000 help and at the same time there are now nearly 5,000 drawing unemployment compensation who will not accept a job from anyone. Those few laborers we can get to work are giving us about a half day's work in a day, and if we try to get them to do some work they will quit and tell you that they are going to get some of that rocking-chair money. I trust that you and the committee will continue to resist the President for this purely political bill.

He calls it a political bill; I do not. I think it is a bill that means the life or death of our economic existence. We know this is not going to aid us in continuing to foster free enterprise, and when we do anything more to injure free enterprise, ultimately the wheels of industry will stop. I think the thing we want to endeavor to do is to get more men to go to work, and to work if they are given work, and to accept work from private employment, and if they cannot get \$100 a week, to take \$40 a week or \$50 a week, rather than take \$25 per week as a matter of living on unemployment compensation. Of course, they have been referring to a bill in some instances that is in the hands of the Ways and Means Committee, and has nothing to do with this committee, but I am still of the opinion from correspondence I have seen that the people of this country are going to be badly fooled if this legislation is passed such as we have now before us in H. R. 2202. And I for one do not want to fool the people, I would rather come out and be honest with them, and try to continue our economic system as we once knew it a few years ago rather than try to bring into the economy of this country Russianized principles that we are having infiltrate into our national life as each day and week goes by, because it seems to bring us just that much more close to that type of life. Dr. Smith, I do not believe I have any further questions to ask you.

Mr. ERVIN (presiding). Mr. Resa, do you have any questions?

Mr. RESA. Yes. Dr. Smith, do you believe that the fathers of this country, when they framed the Federal Constitution contemplated a system in which economic planning or political planning for the country should be in the hands of one man, namely, the President?

Dr. SMITH. Do you mean by political planning something on the order of the Russian plan?

Mr. RESA. The question is: Do you think that the founders of the country intended that national planning of any kind should be in the hands of one man, namely, the President?

Dr. SMITH. I do not think, Mr. Resa, I know what the point is you are aiming at there.

Mr. RESA. I will get that point later on, Dr. Smith.

Dr. SMITH. But the matter of planning, the word "planning" can mean a great many different things. I do not believe that the fathers of this country thought that we should have a politically planned economy such as is involved in this bill.

Mr. RESA. If you will pardon me, that is not an answer to the question. My question is whether, in your opinion, the founders of our Republic intended that the national planning should be in the hands of one man, namely, the President?

Dr. SMITH. All planning, regardless of its nature, and regardless of whether it may be such planning as is involved in the Russian system or any other kind, is that what you mean?

Mr. RESA. I said "national plan," any plan that is national in scope or relates to a national problem. Did they intend that that planning should be in the hands of one man, namely, the President?

Dr. SMITH. In the complete hands of that one man?

Mr. RESA. As I have put the question to you.

Dr. SMITH. As I read the Constitution, our Government was founded on the principles of separation of powers into the three branches of the Government. And if you mean that the President would be directed by the Constitution, to suggest measures, it might be that you could interpret that to mean that he has such power, but I must frankly say to you that I have no way of answering your question directly.

Mr. RESA. Would not a mere reading of the United States Constitution provide the answer to that question?

Dr. SMITH. It might provide one answer for you, another one for me.

Mr. RESA. Do I understand, then, that you are not able to state whether it was the intention of the founders of our Nation that national planning should or should not be entirely in the control of one person, namely, the President?

Dr. SMITH. Well, no; you do not understand me that way.

Mr. RESA. It is not a question of my understanding you, our difficulty now is your understanding me. I am asking you a question, and I am waiting for the answer. You are a Member of Congress, you are dealing almost every day with questions that involve the existence, the extent, and the distribution of governmental power. I am asking you whether it was the plan of the founders of this country that national planning should be entirely within the control of one person, namely, the President?

Dr. SMITH. You mean, that he should be a dictator? I am trying to clarify your question.

Mr. RESA. I will ask the question my way. It is very easy to slide away from the essential question by the easier process of attaching labels. Was it the plan of the founders of this country that all national planning should be entirely within the control of one person, namely, the President?

Dr. SMITH. My answer to you is simply this, I would have to know what you are driving at before I could answer your question.

Mr. RESA. If you will answer the question, I will tell you what I am driving at later. Are you able to answer that question?

Dr. SMITH. I can answer that only if you will go back and tell me what you are driving at.

Mr. RESA. What I am driving at is this: I want to know your opinion as to whether the founders of this country placed in the hands of the President—

Dr. SMITH (interposing). That is the same question, is it not?

Mr. RESA. Complete control over planning designed to meet national situations.

Dr. SMITH. I want to be frank with you. I am not a technical logician. I mean by that I am not versed in the art of logic as you seem to be, and I do not propose to allow you to get me into an awkward position.

Mr. RESA. The question I asked you does not appear in the works of Aristotle; it does not appear in Plato; it does not appear in the work of John Stewart Mill; it does not appear in any of the discussions of Whately; and they never thought of it because it has to do with the Constitution of the United States.

Dr. SMITH. May I ask you a question to clarify this matter?

Mr. RESA. Not right now. Do you think that under the Constitution the President has complete power to control the national planning?

Mr. CHURCH. I should like to ask this question, Dr. Smith, are you a lawyer?

Dr. SMITH. Are you asking me the question?

Mr. CHURCH. Yes. I would just like to know.

Dr. SMITH. No; I am not a lawyer.

Mr. RESA. What is the answer to my question?

Dr. SMITH. I have given you all the answer that I intend to give you.

Mr. RESA. I want that to appear in the record: The witness states that he has given me all the answer that he intends to give my question.

Dr. SMITH. To that particular question.

Mr. RESA. You stated, in effect, that the Soviet Union has an annual budget in which consideration is given to everything that is to be found in section 3 of H. R. 2202, designated by you in your statement as the Patman bill. I read from section 3 this language:

The President shall transmit to Congress at the beginning of each regular session the national production and employment budget (hereinafter referred to as the "National Budget"), which shall set forth in summary and detail, for the ensuing fiscal year or such longer period as the President may deem appropriate—first, the estimated size of the labor force, including the self-employed in industry and agriculture; second, the estimated aggregate volume of investment and expenditure by private enterprises, consumers, State and local governments, and the Federal Government required to produce such volume of the gross national product, at the expected level of prices, as will be necessary to provide employment opportunities for such labor force (such dollar volume being hereinafter referred to as "the full employment volume of production") and (3) the estimated aggregate volume of prospective investment and expenditure by private enterprises * * *

Is there anything in the Soviet national budget about the aggregate volume of prospective investment and expenditure by private enterprises?

Dr. SMITH. I would have to see the statement read back by the stenographer. Are you trying to say that I said the national budget provided in the Patman bill carries everything that the Soviet budget carries or that everything contained in the Soviet budget is embraced in the Patman bill?

Mr. RESA. I understood you very clearly to say, in effect, that the Soviet national budget—I believe it is an annual budget—gave consideration to everything that is to be found in section 3 of this bill. Do you now say—do you now say, I repeat, that the annual Soviet budget provides for everything that is found in section 3 of H. R. 2202?

Dr. SMITH. I do not know whether I said that.

Mr. RESA. Do you now say that the Soviet annual budget gives consideration to everything that is found in section 3 of H. R. 2202, designated by you as the Patman bill?

Dr. SMITH. Let us get this clear: The Patman bill or the Soviet budget?

Mr. RESA. You made that statement in your direct testimony.

Dr. SMITH. I am not sure, but I think I was just making a general statement.

Mr. RESA. I am not interested in whether it is general, but I am interested in whether that is the fact or not.

Dr. SMITH. I do not know whether I said everything or practically everything. I simply do not recall. I would have to check that.

Mr. RESA. I will ask you again:

Do you now say that the Soviet annual budget gives consideration to everything that is provided for in section 3 of H. R. 2202?

Dr. SMITH. Do you mean all of the apostrophies, the periods, all the commas, dashes, and so forth?

Mr. RESA. I do not mean anything that is not contained in my question.

Dr. SMITH. I am no more meticulous in trying to find out what you are getting at than you are in putting your questions.

Mr. RESA. Let me ask you this: Assuming that you stated that the annual Soviet budget gave consideration to everything that is to be found in section 3 of H. R. 2202, would you say that in making that statement—

Dr. SMITH (interposing). If I said that?

Mr. RESA. Assuming you did, do you remember now whether you did or did not say it?

Dr. SMITH. I do not remember the exact words that I used, the exact expression I made, in connection with the matter which you are referring to now.

Mr. RESA. In substance, as well as you can recall it, what was your statement with reference to the similarity between the Soviet budget and section 3 of H. R. 2202?

Dr. SMITH. I would say that the program outlined in this bill is fundamentally similar to the budget of the Soviet Union.

Mr. RESA. Now let me ask you, have you ever seen the annual Soviet budget?

Mr. CHURCH. I would like to ask as a point of information now, do you recall whether the statement is in his prepared speech or not? If so, can you let him take the time to look it up? I am sorry but I was not here when that part of the statement was given.

Mr. RESA. Will you find your statement in your prepared speech, please, if you can?

Dr. SMITH. You asked me whether I have ever seen the Soviet budget. I have seen a description of the Soviet budget. I explained that to the committee. My knowledge of the Soviet budget has been derived from numerous sources, but principally from L. E. Hubbard's book entitled "Soviet Money and Finance."

Mr. RESA. That is all very interesting, but I wanted to get an answer to my question as to what statement you made, for this record, about the relationship between the Soviet budget and section 3 of H. R. 2202.

Dr. SMITH. I do not see why the burden of that should particularly fall on me. I am glad to do it if I can find it.

Mr. RESA. It certainly should not fall on me.

Mr. HENRY. Mr. Chairman, would it be well to wait until the record is transcribed, or until the other reporter is present so we can get him to repeat the statement? My point is that this does not prove, and the questioner has not proved that the witness made any such statement.

Mr. ERVIN (presiding). Frankly, I do not know what the correct procedure is under such circumstances. I wonder if colleague Mr. Resa could suggest a ready solution?

Mr. RESA. I think Dr. Smith should be given an opportunity to find the statement. I do not think that we should have to come back here time after time. I have other work to do. He did not seem to find any difficulty in making the statement the first time it was made, and the ease with which he made the statement in the first place has caused me to think that he would have no difficulty in locating it.

Mr. HENRY. I am inclined to agree that if it can be located readily it should be, but not otherwise.

Mr. RICH. Is it not a fact that in the Russian form of government that they have jobs for every worker that wants a job?

Mr. RESA. I do not think that is an appropriate simile. All Russians wear clothing but that does not persuade me to become a nudist.

Mr. RICH. I was asking you if it was not the case that under the Russian formula jobs for everybody are provided in Russia, and if we have a similar formula for jobs under this bill for everybody in this country, that everybody who is not employed in private enterprise will be employed by the Government, are we not doing the same thing that Russia is attempting to do, practically?

Dr. SMITH. I think I have that statement now. In the first place, you are in error. You have turned the thing around. Here is the statement:

To understand something of the manner in which section 3 of the Patman bill would operate, one must be familiar with the State budget of the Soviet Union. The things provided in that section are in substance and general outline identical with the budget of the Soviet Union.

Mr. RESA. There was another statement besides that, I think it was interpolated, and I remember it very clearly, that the statisticians preparing the budget of the Soviet Union prepared the same items as are called for by section 3 of this bill. That is your language as I recall it. Now is it a fact that the Soviet annual budget does have everything that is to be found in section 3?

Dr. SMITH. Let me read my statement in full:

To understand something of the manner in which section 3 of the Patman bill would operate, one must be familiar with the state budget of the Soviet Union. The things provided in that section are in substance and general outline identical with the budget of the Soviet Union. And so far as I know the Soviet Union is the only country which has a national budget such as that envisioned in H. R. 2202.

There is my statement.

Mr. RESA. Read that last sentence again.

Dr. SMITH (reading):

And so far as I know the Soviet Union is the only country which has a national budget such as that envisioned by H. R. 2202.

Mr. RESA. Regarding this bill you do not now make the statement that the Soviet budget contains everything that is in section 3?

Dr. SMITH. I stand on my previous statement.

Mr. RESA. You made the statement that this bill would place the planning in the control of one individual, the President of the United States.

Dr. SMITH. Yes. I interpret it that way.

Mr. RESA. What is the basis for that statement of yours?

Mr. SMITH. What was my basis for that statement? Section 3 (a), states:—

The President shall transmit to Congress at the beginning of each regular session the national production and employment budget (hereinafter referred to as "the National Budget"), which shall set forth in summary and detail, for the ensuing fiscal year or such longer period as the President may deem appropriate—

Then, further along under "Preparation of National Budget," it says:

The National Budget shall be prepared in the Executive Office of the President under the general direction and supervision of the President, in consultation with the members of his Cabinet and other heads of departments and establishments.

Mr. RESA. Do you understand this act to provide that the President's annual budget shall contain a plan?

Dr. SMITH. I think the language there is clear for anybody to interpret what it means.

Mr. RESA. I shall ask the reporter to read my last question again.

Mr. ERVIN. The reporter may read the last question.

(The reporter read the following:)

Do you understand this act to provide that the President's annual budget shall contain a plan?

Dr. SMITH. Do you want me to answer the question that was just read by the stenographer?

Mr. RESA. I wish you would answer it for me.

Mr. SMITH. Yes.

Mr. RESA. Do you find in H. R. 2202 any provisions under which any national plan relating to full employment could be formulated or carried out without the participation of Congress?

Dr. SMITH. I think this anticipates that Congress would have something to say about it.

Mr. RESA. Does this bill contain any provision in which at any future time Congress shall cease to have any participation in the formulation or carrying out of such a plan?

Dr. SMITH. Why certainly it does.

Mr. RESA. Will you tell me what the provision is?

Dr. SMITH. You did not hear all of my statement. I explained that legislation such as this on top of the many other interferences with private enterprise which the Government has already undertaken leads to absolutist government.

Mr. RESA. And is all of that provided for in this bill?

Dr. SMITH. Oh, I did not say that.

Mr. RESA. My question, Dr. Smith, is—and it is a simple question: What provision is contained in this bill under which Congress at any future time will cease to have a part in formulating or carrying out any such plans?

Mr. RICH. Mr. Chairman, may I ask the gentleman to yield?

Mr. ERVIN. Does the gentleman yield?

Mr. RICH. Is not it customary when the President of the United States makes a recommendation to Congress, and if the majority party who are then in power with the President, that the Congress puts through the legislation that he asks to be put through, and has that not

been the course for the last 6 or 8 or 10 or 12 years that they have even driven it through?

Mr. RESA. I should like to call attention to the fact that the President recently made 21 requests of Congress; and of the 21, 19 have so far been refused.

Mr. RICH. That is because you have a different President as of today, but the one man that we had for many years prior to that, everything that was brought to Congress, they have driven it through Congress, and that is the difference between the two Presidents of the same party.

Mr. RESA. It has nothing to do with this bill.

Mr. RICH. The question that you have put to this witness on this stand involves that, and I am here on this committee, and so I am telling you what happened, so you will be advised.

Mr. RESA. Of course, the gentleman from Pennsylvania may have read those instances, quite glaring instances in which President Roosevelt attempted to purge certain Members of Congress, which resulted in failure.

Mr. RICH. Unfortunately, he has great success in certain instances.

Mr. RESA. There are certain Members of Congress who are here now whom he tried to purge.

Mr. RICH. They are not here, certainly, at the will of President Roosevelt, but in spite of it, and the effort is altogether too dangerous an effort.

Dr. SMITH. If you will allow me to answer your questions: There is nothing, of course, in the bill which says in so many words, "It is hereby provided that nothing is contained in this bill which shall prevent future Congresses from doing so-and-so."

Mr. RESA. As I understand it, your answer is that you do not find anything in this bill which terminates or will terminate at some future date the participation by Congress in the formulation of these plans?

Dr. SMITH. Oh, yes, I do; because if it is passed force of circumstances will tend to bring that about.

Mr. CHURCH. Will the gentleman yield?

Mr. RESA. No, I will not; I am having enough difficulty not trying to get an answer to my questions, and we shall never get away from here.

Mr. CHURCH. The gentleman who is doing the questioning is an astute lawyer, and the witness is a layman, and I think that accounts for some of our difficulties.

Mr. RESA. I want to know if you find something in this bill that has that result.

Dr. SMITH. Let me answer the question, it is simply another grant of power, though an extraordinary one, and would afford a tremendous impetus to the movement that is well under way to centralize all power in the President.

Mr. RESA. You think that that will involve the terminating at some future time of the formulation of these plans on the part of Congress?

Dr. SMITH. This bill alone? Is that the point?

Mr. RESA. That is the bill we are talking about.

Dr. SMITH. Not in this bill alone.

Mr. RESA. That is not the statement I thought you made. That is the answer I wanted to get, that it is not in this bill alone.

Those are all the questions I have.

Mr. ERVIN. Mr. Henry, do you have some questions?

Mr. HENRY. Dr. Smith, is it not true that if the President is unable to get legislation he wants or recommends it must be because many of his own political faith disagree with him?

Dr. SMITH. Frankly, I want to avoid, and in my analysis of this bill I have avoided partisan politics.

Mr. HENRY. I understand, but Mr. Resa's questions have been along this line, and I would like to have the record clear.

This thing has come into one or two of the statements that have been made. I want to clear this up. When we have a President of one political faith, and he has the majority in both Houses of Congress, and he makes certain recommendations for legislation and urges its passage, as he is doing right now, if he is not able to get that legislation through, is it not fair to assume that it is because many of his own political faith disagree with him?

Dr. SMITH. Of course, since Congress is controlled by the Democratic Party, that would follow.

Mr. HENRY. Can you not answer that question "Yes" or "No"?

Dr. SMITH. Put your question again, because I want to be certain about it.

Mr. HENRY. Under our form of government, we have a two-party system.

Dr. SMITH. That is quite correct.

Mr. HENRY. If we are in a situation such as we are now where we have a President of one political faith, and we have in both Houses, the same political faith a majority, and the President of that same political faith is urging certain legislation and recommends it, and he fails to get that legislation through, is it not fair to assume that that failure to get that legislation through is because of the fact that many of his own political faith disagree with him?

Dr. SMITH. Of necessity it would have to be that way.

Mr. HENRY. Dr. Smith, the President in his radio talk the other night, and I am quoting from a newspaper copy that I have at my seat, this:

The American people are entitled to know now that the Government stands for prosperity and jobs, not depression and relief.

I agree with that much of his statement, do you not also agree?

Dr. SMITH. Of course, anyone would agree with that.

Mr. HENRY. Then to read on a little further in this passage he said:

Passage of a full-employment bill will give the American people this assurance.

When he said that he was not necessarily referring to H. R. 2202, was he?

Dr. SMITH. Not necessarily.

Mr. HENRY. Neither was he necessarily referring to S. 380, was he?

Dr. SMITH. That is correct also.

Mr. HENRY. Therefore it might be possible for many of us to vote for the passage of legislation which is aimed at more employment; is that correct? Which is aimed to encourage employment and foster employment?

Dr. SMITH. I will answer yes, with this qualification, that I would first have to see the legislation.

Mr. HENRY. Yes; but would you not say that you would not refuse to vote for any legislation that would be aimed at creating a better climate for private enterprise system, and that was aimed to foster more employment and better employment in private enterprise?

Dr. SMITH. No; I indicated in my statement that I would support such legislation.

Mr. HENRY. Further on, following what the President said—I would like to quote this:

The responsibility for the damaging delay in enacting this legislation is definitely at the door of the Committee on Expenditures in the Executive Departments of the House of Representatives.

Now I will ask you, Do you think that this committee would be acting in good faith and in accordance with good, sound American tradition if we defeated this legislation in committee, or if we voted this out favorably in committee without having heard such expert witnesses as the Secretary of Labor, the Secretary of the Treasury, and the Secretary of Commerce?

Dr. SMITH. I was here the other day when that point was discussed, and I think that the committee has been fair and considerate. But let me go a little bit deeper. Ours is supposed to be a representative government. The Congress is supposed to be absolutely free of any and all influence by the Executive. That is fundamental to our form of government.

Mr. HENRY. Would you allow me to change the word from "influence" to the word "domination"? In other words, free from "domination"?

Dr. SMITH. Well, of course, that is a stronger word.

Mr. HENRY. This committee, if I am correct in my understanding, is very much interested in full employment. I assume everybody is. When we had the Secretary of Commerce before us the other day he made some reference to the confidence that would be instilled in the minds of the public if this legislation were passed, and how it would eliminate fear. Do you agree with that statement?

Mr. HENRY. Is there anything that you know of that Congress can do that would help eliminate fear and instill confidence in the mind of the public.

Dr. SMITH. Were you here during the reading of my entire statement?

Mr. HENRY. Yes; I think I heard every bit of it.

Dr. SMITH. I indicated that Congress could if it would.

Mr. HENRY. Do you agree with me in my belief that one of many ways to instill confidence and eliminate fear would be to frame legislation here in Congress in such a way that private enterprise would be less fearful of Government interference and Government competition, if we could frame legislation that would eliminate the strife between labor and industry, legislation that would create harmony, and if we could cut down the number of Federal employees, or if we could impress on the public that the Government is sincere in its efforts to economize, if we took such steps as that, do you think that that would be in the direction of instilling confidence in the people and eliminating fear?

Dr. SMITH. Yes.

Mr. HENRY. Referring to paragraph (e) on page 3 of H. R. 2202, is that paragraph any admission that private enterprise might not be able to achieve complete employment?

Dr. SMITH. "The national production and employment budget?"

Mr. HENRY. Paragraph (e) of page 3.

Dr. SMITH. I have it now.

Mr. HENRY. Is that not an admission that private enterprise may not be able to achieve full employment?

Dr. SMITH. Yes; it is an indication of that. The assumption is that private enterprise is incapable of furnishing full employment.

Mr. HENRY. That is right. I agree. In the case of private enterprise, if this bill is enacted, in such a case, if private enterprise is unable to furnish full employment, that is what would happen under paragraph (e) on page 3.

Dr. SMITH. I do not think there is any question that that would take place.

Mr. HENRY. Under those circumstances what does the bill provide?

Dr. SMITH. The bill provides that—

to the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment.

In other words, it provides that the Federal Government shall undertake such a program as in its judgment it feels will be necessary to supply the deficiency.

Mr. HENRY. In other words, do you not consider that a pledge on the part of the Federal Government to provide employment for all those who are not provided with employment by private enterprise, that is, the Government pledges that it will make such volume of Federal investment and expenditure to the extent that will provide employment of those who are not employed in private industry; is that not correct?

Dr. SMITH. It says in effect if there are not enough jobs to go around the Federal Government will step in and produce the conditions which are necessary to overcome the deficiency.

Mr. HENRY. Do you agree with me when I say that?

Dr. SMITH. That it is a pledge? Yes; I do.

Mr. HENRY. That is a pledge on the part of the Federal Government that in case private enterprise is unable to achieve full employment then in that case the Government pledges to make such investment and expenditure by the Federal Government as shall be designed to contribute to the national wealth and well-being, and to stimulate increased-employment opportunities by private enterprise?

Dr. SMITH. That is correct.

Mr. HENRY. In other words, the Government pledges itself to make such Federal investment and expenditures to the extent that are necessary to achieve full employment.

Dr. SMITH. There is such a pledge here; yes.

Mr. HENRY. Can you agree with me when I say that conditions may arise or could arise whereby private enterprise would be unable to achieve full employment, and under this pledge the Government might be called upon to make such substantial expenditures and investments that it would be unable to keep them fluid, and keep them going along; can you visualize any such situation as that arising?

Dr. SMITH. Yes.

Mr. HENRY. We had a witness day—I believe he represented the National Association of Manufacturers—and he had various charts before us.

Dr. SMITH. Yes; I was here and I heard the testimony.

Mr. HENRY. He showed us where in order to produce one job, depending on the conditions that it varied in cost anywhere, if I remember correctly, from \$2,500 up to \$30,000 or \$40,000 to produce one job. Then we have the Secretary of Commerce who came in here and stated that it would cost anywhere from \$1,500 to \$1,800 to produce one job. Let us take the Secretary of Commerce's statement, if it cost \$1,500 or \$1,800 to produce a job, and if private enterprise was unable to achieve full employment, and we ran into a situation where we had 8,000,000 people unemployed, how much in your opinion would it cost the Federal Government to achieve full employment?

Dr. SMITH. The net capital per wage earner employed in all enterprises in specified manufacturing industries, according to the National Industrial Conference Board's almanac, averaged \$7,304 in 1925 and \$5,937 in 1941.

Mr. HENRY. I am inclined to lean more toward the Secretary of Commerce's figure under his statement, because under your theory that you are considering the production of jobs in the way of salaries, it has to be lower because of the products that go into the production of salary in the case of industry as contrasted with the Government, the Government costing the lower?

Dr. SMITH. I thought you were discussing the amount of invested capital per workman?

Mr. HENRY. To get back to this point, would it not be cheaper for the Federal Government to produce the job by letting bids to a contractor than it would be for private enterprise?

Dr. SMITH. May I have that question again?

Mr. HENRY. I will say it this way: Is it not possible for the Federal Government to produce a job more economically with less expenditure of money than it would cost private industry?

Dr. SMITH. Could the Government create jobs for less money than private enterprise?

Mr. HENRY. For this reason, and let me point it out to you—I may be wrong; it may be you can correct me—I mean private contract, that is, I could give a job to someone, and I would have to furnish all the materials; if we were going to build a building I would have to furnish the material and the cement and everything that goes into the construction of that building, and therefore it would cost me more to furnish one job to a man than it would be for the Federal Government, would it not, who simply lets the thing out by contract?

Dr. SMITH. Of course, in that instance, the Federal Government acts as an agent, and does not do the work itself, and the costs would fall almost entirely upon the contractor.

Mr. HENRY. If we assume that the Secretary of Commerce is correct in assuming that the cost to the Government would be \$1,500 to \$1,800 to provide a job, then I ask you how much would it cost the Federal Government if we ran into a period of unemployment after the passage of this bill, and we found ourselves faced with

8,000,000 seeking work. How much would that cost the Federal Government?

Dr. SMITH. \$14,400,000,000.

Mr. HENRY. Now, then, I would like to ask you, under such a state of circumstances, how would the Federal Government meet such a cost?

Dr. SMITH. I can see of no way except to print money.

Mr. HENRY. How long could our Government keep on doing that?

Dr. SMITH. Where the policy of unlimited spending by printing money has been pursued, which has taken place in many countries in the last 30 years, it was not long until bankruptcy set in.

Mr. HENRY. Could you say that it would be much easier—

Mr. RESA (interposing). Have you finished?

Mr. HENRY. No; I had one or two more questions I wanted to ask. Could you see how it would be much easier for a great many of us, many like myself, to vote for this bill if it did not contain such wild pledges as that contained in paragraph (e) on page 3, which I consider an unlimited pledge?

Dr. SMITH. I think that is a bad section.

Mr. HENRY. It would make it much easier for me to support this bill if it did not have that in there.

Mr. RESA. Do I understand that you are answering a question now that is psychological, or legislative?

Mr. HENRY. This is a question of legislation—on this particular piece of legislation. Do you feel that our Federal Government should always be honest and open and aboveboard in its legislation, so that the public will thoroughly understand exactly what the legislation means?

Dr. SMITH. I think that is absolutely essential.

Mr. HENRY. To follow that up, do you feel that our Government should always be honest with the American people?

Dr. SMITH. I certainly do; yes, sir.

Mr. HENRY. Do you feel that it is honest to make a pledge that under certain circumstances the Federal Government could not keep?

Dr. SMITH. The Federal Government should not pledge anything that it cannot fulfill.

Mr. HENRY. Do you think it is fair to title this act as a "Full Employment Act of 1945"?

Dr. SMITH. Well, of course, I would strike out the title and the whole bill.

Mr. HENRY. Will passage of this act give full employment?

Dr. SMITH. No; unless full employment is to become in the United States what it is in Russia.

Mr. HENRY. That is all I have.

Mr. CHURCH. I am sorry I did not get here in time to hear your entire statement, but there were a couple of bills on the floor that I had to tend to. I want you to refer to the language that Mr. Resa was talking about at the top of page 4 of the bill H. R. 2202, lines 1 and 2. Do you have that?

Dr. SMITH. Yes; I have that.

Mr. CHURCH. Will you look at line 1? Mr. Resa called your attention to it and asked you a question, when he was discussing with you

your description of the Russian budget and the Russian plan, and referred to this language on page 4, line 1:

The estimated aggregate volume of investment and expenditure by private enterprises.

Now, does the gentleman want to comment further on that to the effect that the Communist system does not recognize private enterprise very much?

Dr. SMITH. No; if you will strike out the word "private," you would have exactly what they have in Russia.

Mr. CHURCH. Strike out the word "private" and leave the word "enterprise" in, and what do you have?

Dr. SMITH. What you have is state enterprise.

Mr. CHURCH. In other words, one word could go out of there and your original statement would be substantially true?

Dr. SMITH. Yes.

Mr. RESA. Am I to understand that the gentleman from Illinois, Mr. Church, and the witness agree with each other that the word "private" in that place is unimportant?

Mr. CHURCH. The gentleman understands that I was not here when Dr. Smith gave his original testimony, but I am here now. I did not hear all of the written statement, but I wanted to know if this statement would be essentially correct as representing the Russian system if we struck out the word "private," the word preceding the word "enterprise," in that statement.

Mr. ERVIN. Gentlemen, may we come to an agreement that we will not take a vote this afternoon, and when we recess we will recess until 10 o'clock tomorrow morning?

Mr. RESA. I would like to make one more observation. Mr. Whittington made some reference to the fact that an opportunity will be given to the witness to revise his remarks.

Dr. SMITH. That is quite so.

Mr. RESA. In view of the fact that I have interrogated him in regard to certain specific statements that I still suppose and believe he made, I would be utterly without any basis if he revised his statement, and I do think I should be permitted to see the transcript of this hearing before any revision is made.

Mr. ERVIN. I think Mr. Whittington had in mind his prepared statement.

Mr. CHURCH. There is no doubt as to what Mr. Whittington had in mind, that the gentleman could revise any statement that he made.

Dr. SMITH. That is the way I understood it.

Mr. ERVIN. Any witness is permitted to revise his own testimony and correct it.

Mr. CHURCH. I do not think that there is any question about that.

Mr. RESA. I do believe he should have an opportunity to go over his testimony, but I do not think it is fair for him to take out that part of the testimony if he wanted to and it would place me in a position of talking about something that was not in there.

Dr. SMITH. Let say this to you, that in all the revisions I have made of my contributions in connection with my own or any other committee, I have never changed any statements or questions which would alter the sense or meaning of anything said by others in connection with them; certainly not designedly.

Mr. RESA. I am not speaking of any of the answers you gave to my questions. I am thinking now of the material in your statement or in your testimony upon which my questions were based.

Dr. SMITH. Can we not mutually agree to work the matter out together?

Mr. RESA. That would be perfectly agreeable to me to do so.

Dr. SMITH. Then let us do it in that manner.

Mr. CHURCH. Dr. Smith, you referred in answer to Mr. Henry's questions, to this so-called pledge.

Dr. SMITH. Yes, I made reference to that.

Mr. CHURCH. In other words, the language on page 3, section 2, paragraph (e), in effect amounts to a pledge. The gentleman realizes that if this so-called pledge legislation is adopted it would undoubtedly require new legislation later on, with sufficient votes to override the veto of some President, to repeal it. Therefore, when Mr. Resa asked you if all legislation did not depend upon future legislation, of course you realize that legislation can be repealed provided you can get sufficient voting strength to do so.

Dr. SMITH. I think it is unlikely that if the pledge is made that there will be any retraction. There will be an effort to fulfill it in some way or another.

Mr. CHURCH. The gentleman would agree with me, would he not, that the trend the last few years has been toward more statism and more and more socialism?

Dr. SMITH. Of course, the burden of my whole testimony is to that effect.

Mr. CHURCH. We should go the other direction, rather than toward statism?

Dr. SMITH. That is right.

Mr. CHURCH. I have been seeking from various witnesses some definitions that might be necessary in this bill, looking at page 2, of H. R. 2202, section 2 (b), we find the words:

all Americans able to work and seeking work have the right to useful, remunerative, regular, and full-time employment * * *

Have you any comment to make on the necessity of a definition of the word "useful"?

Dr. SMITH. Taking the first paragraph in connection with other portions of the bill, I would say that the intention here is to convey the idea that the Federal Government is making itself responsible for full employment.

Mr. CHURCH. That it shall be useful, remunerative, regular, and full-time employment.

Dr. SMITH. And if that is not the intent then it is dishonest.

Mr. CHURCH. That is, somebody in the Federal Government would be the judge of what would be useful, remunerative, and full-time employment.

Dr. SMITH. That is right.

Mr. CHURCH. Who would be the judge of what is useful, remunerative, regular, and full-time employment?

Dr. SMITH. The Government would be.

Mr. CHURCH. You have referred to the Soviet; who is the judge in that country?

Dr. SMITH. The central authority of the Soviet Union, Stalin..

Mr. CHURCH. You do not want anyone in this country to approach that kind of authority?

Dr. SMITH. No; I do not.

Mr. CHURCH. The bill reads:

It is the policy of the United States to foster—

And then, further on:

It is the policy of the United States to assure the existence at all times of sufficient employment opportunities to enable all Americans who have finished their schooling * * *.

One witness this morning, Mr. Voorhis, when I asked him that same question as to how much schooling the child should have, said that some of the States had stated how much schooling a child should have; in Russia, who determines how much schooling they shall have?

Dr. SMITH. In Russia it is determined by the central government, or better authority, which is Stalin.

Mr. CHURCH. In our country who determines that, if you know?

Dr. SMITH. In the States the laws provide that. We have a law in Ohio which provides that a child under a certain age must have the written consent of its parents before it can be employed in industry.

Mr. CHURCH. I have said the same thing to Mr. Voorhis this morning, in order to get him to give the committee the benefit of his definition of these words "useful, remunerative, regular, and full-time employment." We should have a definition of the individual words—useful, remunerative, regular, full-time employment—and also, secondly, as to whether or not the four words must be taken together "useful, remunerative, regular, and full-time employment," and, likewise, I wanted to know who is going to determine that.

Dr. SMITH. That will be determined by the Government.

Mr. CHURCH. Mr. Voorhis said that he thought that the individual himself could determine whether or not he has received the proper amount of schooling. Then I asked him how could the individual tell whether his work was useful, remunerative, regular, and full-time employment, and then some gentleman said that he felt that those are sort of indefinite things that it is very difficult to determine.

Dr. SMITH. They may be, but in actual practice the Federal Government would determine those things.

Mr. CHURCH. The Secretary of Commerce, Mr. Wallace, said that he thought Mr. Fleming, in charge of the PWA, would determine whether or not it was useful, remunerative, regular, and full-time employment.

Dr. SMITH. I should think so.

Mr. CHURCH. It seems to me that that paragraph leaves much undefined and many uncertainties and, therefore, the more uncertain the more apt we are to, in connection with the pledge on page 3, paragraph (e), of setting up and holding out a grave promise here that could be very gravely misunderstood by a great many workers. That is all, Mr. Chairman.

Mr. ERVIN. Thank you, Dr. Smith.

The committee will now recess until 10 Wednesday morning.

(Whereupon, at 5:30 p. m., the committee recessed, to reconvene at 10 a. m., Wednesday, November 7, 1945.)

FULL EMPLOYMENT ACT OF 1945

WEDNESDAY, NOVEMBER 7, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES IN EXECUTIVE DEPARTMENTS,
Washington, D. C.

The committee met at 10 a. m., the Honorable Carter Manasco (chairman) presiding.

The CHAIRMAN. We have this morning the Honorable Lewis B. Schwellenbach, Secretary of Labor.

Mr. Secretary, you have a prepared statement, I understand.

STATEMENT OF HON. LEWIS B. SCHWELLENBACH, SECRETARY OF LABOR

Secretary SCHWELLENBACH. I have a brief statement here, Mr. Chairman. First, I want to thank the committee for excusing me from yesterday's session. I hope that I did not discommode any members of the committee.

The CHAIRMAN. We realize that you have a very difficult task on your hands.

Secretary SCHWELLENBACH. I appreciate the invitation extended to me to appear before this committee and present my views concerning H. R. 2202.

I am in full accord with the principles enunciated in H. R. 2202. It is not only desirable, but necessary, that the Government of the United States give clear indication of its intention to establish a program which will result in full employment if our system of private enterprise is safely to maintain itself under the stress of the intricate problems of the postwar period. We must face the fact frankly that we will be living in a world in which the economies of many of the other nations will be rigid. Whether correctly or not, the extent of employment has come to be viewed as the standard by which the success of an economy may be judged. We cannot afford to risk the chance of a misjudgment of the success of our economy by the refusal of the Government to give formal recognition to the policy that full employment constitutes an integral, important part of it.

Much discussion has ensued concerning the meaning of the term "full employment." As I construe the term it means a condition in which all who are able and willing to work can find jobs under satisfactory conditions. I do not mean, of course, and I know the sponsors of this bill do not mean, abnormally long hours of work or pressure to make people take a job who do not have the inclination, or to make them

work for an employer rather than to be their own employer. I specifically decline to speculate upon the number of jobs which must be made available if we are to have full employment. This for the reason that I believe that, now at the war's end, there are too many imponderables concerning which accurate conclusions cannot be reached to enable us at this point specifically to determine how many jobs are required. I think also that it is important that we have a better recognition of the dignity of work. Any job well done is dignified. It was intended that men and women should have the opportunity to work in jobs for which they possess such skill and aptitude and inclination that they can do them well. Full recognition of this principal is important to a full understanding of the philosophy behind this bill. This for the reason that it makes possible the understanding of the undesirability of jobs that are not worth while and of work which is performed perfunctorily only because of the necessity of receiving such minimum compensation as will enable the individual to exist.

I think it should also be understood and frankly stated that there are those who do not believe in this kind of full employment. Since this bill has been under discussion I have heard many people state that, of course, everyone favors full employment. They then refer to the analogy of everyone being against sin. The fact of the matter is that everyone is not in favor of full employment. There are those who believe that it is economically desirable to have a large pool of unemployed upon which to draw. This with the hope that through this condition cheap labor may be obtained and thereby production costs reduced. I think those who take this position are mistaken. It may be that during the time when the problem of production was very difficult such arguments were valid. However, the problem of production has been licked in this country. American inventive genius and skill of organization have made of this country the greatest productive machine yet known. Our problem now is one of consumption. We can produce plenty. What we must do is to make sure that we can consume plenty. We can consume plenty only if our people have the purchasing power with which to buy. The purchasing power requires that they have jobs in order that they may earn the wages with which to make the purchases.

There are two principal arguments against this bill which I wish to discuss. They are widely presented and despite their inconsistency are sometimes presented simultaneously by the same individuals. The first is that this bill is merely a slogan—that both the President and the Congress have the power to do precisely what the bill proposes and that therefore the bill is unnecessary. The second argument is that the bill is extremely dangerous—that, if administered by executives so inclined, it may commit the Government to a policy of unbalanced budgets that will so frighten industry as to impede or possibly stifle private enterprise.

If the bill simply constitutes a slogan and the President and Congress could exercise the authority which it confers without the adoption of this bill, then there can be nothing dangerous about the bill. If the danger comes not from the legislation but from the type of Executive who will administer it, then the bill provides its own answer to the argument. Through the creation of a Joint Committee on the National Budget there is created a new congressional check upon the planning for Government investment and expenditure to provide

full employment on a broader and more definite scale than has heretofore existed. If I understand the provision for the joint committee, it gives the Congress a much more important place in this program than it has ever before had. Furthermore, it must be recognized that we have been making efforts toward full employment for a long time. Through various pieces of legislation created, such as NRA, CWA, PWA, and WPA, the Federal Government has made serious attempts to furnish employment to its citizens. All these efforts, however, have been in the nature of partial approaches to the problem. They have all been adopted after unemployment became serious and began to threaten the foundations of our social and economic structure. That Congress passed these emergency measures is a clear recognition of the responsibility of the Federal Government to step in and take up the slack in employment whenever necessary. H. R. 2202 is the logical outgrowth of our experience and would give statutory recognition to this definite responsibility.

There never was a complete program planned in advance. The sum total of the improvised programs never resulted in full employment during time of peace. It was only when war came that we attained full employment. In fact, we attained overemployment. We recruited millions of new workers into the labor market, even including children. We extended the hours of employment and became indifferent to the problems of fatigue and overhaustion. We did all this to win a war. We have now won that war. The irony is that, unless care is taken, a period of overemployment will be followed by one of underemployment.

It seems to me that sound public policy calls for a happy medium between these two extremes. We should use every private device to attain a condition in which all who are able and willing to work can find jobs under satisfactory conditions. Only when that fails should we use public devices. But we must have some advance procedure by which we can know when to use public devices. I gather that this in general is the goal of H. R. 2202 and I, therefore, am willing to endorse the legislation in principle.

Full employment is not only a slogan. It is good business for the American people. It is good business for industrialists because it guarantee a steady flow of purchasing power to absorb the products of industry. It is good for labor because it affords a steady income and the feeling of security that accompanies such an income. It is good for the farmer because it affords him a steady market for his products. Above all, it is good for the stability of our economic and political system because it is an indication of our success in meeting the basic economic problem. It has been argued that in this bill undue emphasis is being placed on employment to the exclusion of other considerations of national policy. It is said that spending might conceivably necessitate rigid controls over prices, wages, business, and labor and that there are other things more important than employment.

The history of the rise of totalitarianism shows that the country whose citizens are in greatest danger of losing their individual freedom is the one tolerating mass unemployment. Fully employed people will need no propaganda to convince them of the superiority of our system over totalitarian systems.

The place of Government investment and expenditure to supplement private enterprise in our economy has long been recognized.

The difference between the philosophy of this bill and the efforts in the past is that it is devised to meet the problem in advance rather than to improvise after the problem of unemployment is created. I hope that it may be adopted and accepted by all of our people—not as some bogey that is to be feared, but as a common-sense approach to the solution of a basic and recurring problem in our national economy.

The CHAIRMAN. Mr. Secretary, is the Department of Labor making studies now to estimate the number of people that will be unemployed next year—the employable people, not the aged and infirm and the physically handicapped?

Secretary SCHWELLENBACH. Yes.

The CHAIRMAN. What is that estimate?

Secretary SCHWELLENBACH. Before I give you a definite figure, may I explain why it is peculiarly difficult right now to know. There are two factors: One, we have enlarged the labor force during the war. There has been an inclusion in it of many people who did not work before—many women, many old people, who would not have worked had it not been for the war. The extent to which the present labor force—people working—will decrease is one of the imponderables that I talked about when I said that I would specifically decline to say how many jobs we should furnish. Secondly, we have so many young men in the Army who may or may not go back to school. If they had not gone in the service they undoubtedly would have gone to school. Whether or not, when they come back, they will want to go to work or go to school, is something that cannot be estimated. They do not know themselves whether or not they want to go back to school, and they will not know for 6 months after they get back.

Because of those two factors any estimate upon the question of the number of workers unemployed must necessarily be understood to be rather indefinite.

The CHAIRMAN. In other words, it would be impossible to estimate within one or two million people the number that would be unemployed due to those imponderables?

Secretary SCHWELLENBACH. Yes. Our estimate shows from 6 to 8 million in the spring. Then a reduction of that down to 4 to 6 million in the fall of next year.

The CHAIRMAN. Does that estimate of 6,000,000 in the fall of next year include people who, in normal times, would not be working, like the wives of men overseas and people who are beyond the retirement age, or does that include the normal labor force?

Secretary SCHWELLENBACH. This is supposed to be the normal labor force.

The CHAIRMAN. Due to the fact it would be impossible now to estimate with any degree of accuracy the number of people that would be unemployed 6, 8, or 10 months from now because of the factors you enumerated a few moments ago, the passage of this bill today could not cure those defects. What I am driving at is, you now have people who are fully capable of forecasting to a certain degree of accuracy, but as I understand your statement, no one could forecast the number of unemployed at the present time for June or July of 1946.

Secretary SCHWELLENBACH. They can pretty well forecast the minimum of 6,000,000.

The CHAIRMAN. But not the maximum?

Secretary SCHWELLENBACH. No.

The CHAIRMAN. Assuming that all the boys in the service who would have gone to school do not go to school, can you estimate with any degree of accuracy the number of those boys that will be thrown on the labor market?

Secretary SCHWELLENBACH. I cannot give you the break-down on that; no, sir.

The CHAIRMAN. That would be a very difficult thing to work out itself, would it not?

Secretary SCHWELLENBACH. Well, I suppose it could be worked out fairly easily by taking the records of the boys who are leaving the service. They are all put through examinations to determine their plans, and so forth.

The CHAIRMAN. Anything that would be done now would be purely guesswork?

Secretary SCHWELLENBACH. To the extent of a maximum; yes.

The CHAIRMAN. Without a reasonable degree of accuracy in your forecasts, it would be impossible for the Congress to plan ahead the number of Federal projects to absorb those people until we actually know; is that correct?

Secretary SCHWELLENBACH. So far as the year 1946 is concerned, yes; but if it is your idea from that there is no desirability for this legislation, I do not agree with that, Mr. Chairman, because the fact that the legislation is on the books and the docket is going to be a psychological factor.

The CHAIRMAN. It will create confidence in the future?

Secretary SCHWELLENBACH. Yes.

The CHAIRMAN. What do you think we should do about taking care of those four or six million people who will be unemployed? Do you think that we should plan public works now to make work for them? Do you think that we should have a backlog of public works to take care of those people?

Secretary SCHWELLENBACH. I think if a program is studied through and a national budget is laid down, that so far as 1946 is concerned the States and the cities all have very extensive programs of public works. I think very largely the problem could be taken care of in that way during the year 1946.

The CHAIRMAN. Let us go to 1947. Do you have any way of estimating the number of people who will be unemployed in February and March of 1947?

Secretary SCHWELLENBACH. No.

The CHAIRMAN. If we are to provide these jobs on Federal projects, what wage would you pay these people? Would you pay them the prevailing wage? I believe that the Walsh-Healy Act provides for paying the prevailing wage on public works done by a private contractor.

Secretary SCHWELLENBACH. That is the Bacon-Davis Act.

The CHAIRMAN. So, if you have 6,000,000 people unemployed the prevailing wage from your common labor on up to your skilled trades would be employed and the annual expenditure would be over \$1,800 per year per person for that labor, would it not, under the Bacon-Davis Act?

Secretary SCHWELLENBACH. I thought that it was \$1,750.

The CHAIRMAN. All right; \$1,750. Then if they are to be employed on useful public works, you would have to pay for a lot of material. If you were building buildings, you would have to buy brick, pipe, boilers, electrical equipment, cement, and so forth, and do you have any figures showing how much the expenditure would be other than for labor that it would take to give a man a job on a public works program?

Secretary SCHWELLENBACH. No; I do not.

The CHAIRMAN. I wonder if those figures could be inserted in the record.

Secretary SCHWELLENBACH. I am sure they could be.

(The matter referred to is as follows:)

The CHAIRMAN. I am sure that it would be more than \$3,000 a year, would it not?

Mr. COCHRAN. Mr. Chairman, will you yield? The chairman has indicated not only just now but at different times that he feels that if we find that 6,000,000 people are out of employment it is going to be necessary for the Government to find jobs for those 6,000,000 people if private industry cannot find them. As a matter of fact, if the Government found a program that would put 3,000,000 to work, which of course would give them purchasing power, then those people would spend their entire income for the necessities of life. That would create a demand for the necessities of life and likewise require private industry to increase its output, which would mean that private industry would employ some of those unemployed in order to meet the demand; is that not correct?

Secretary SCHWELLENBACH. Yes. Every time that you put an individual to work it goes back to that same question of the cost of materials. A lot of other people would be employed in getting the materials together.

Mr. COCHRAN. In other words, we are not putting all the people to work. Private industry will put the people to work by reason of a demand for necessities of life.

Secretary SCHWELLENBACH. No; I do not.

The CHAIRMAN. That is the reason that I asked for those figures, if available. I would like to know how much it would cost to furnish the material, because if you count that as employment in private enterprise, \$3,000 or \$4,000 per man for material, that is still coming out of the Federal Treasury. I do not care whether it is done by United States Steel, Portland Cement Co., or some of the brick companies; it is still coming out of the Treasury of the United States. Those people that are given those jobs by private enterprise make the cement, the steam fittings and the electrical equipment, and so forth.

Secretary SCHWELLENBACH. Except to the extent that their expenditure of money results in the employment of other people because of the purchasing power that they acquire.

The CHAIRMAN. We will use Mr. Cochran's figure of 8,000,000 people.

Mr. COCHRAN. Six million, I said.

The CHAIRMAN. We will use that figure of 6,000,000 and say that the Federal Government only has to give direct employment to 3,000,000 people, but it will take another 3,000,000 people to furnish the material to perform these public-works jobs. Still the Federal Treasury would be responsible for the payment for that material.

We have been unable to find out in all these hearings how much it costs to give a man a useful job. Of course, you can give 3,000,000 people jobs walking between two trees, and they will not be producing anything. They will still have jobs and purchasing power. I am trying to find out the figures, and I am also trying to find out if, in the judgment of those who know more about the conditions of our Treasury than I do, whether or not our Federal Treasury could afford to pay prevailing wages to 3,000,000 people on useful public works and purchase the material to give them the jobs. I would like to have those figures, if possible.

Secretary Schwellenbach.

Secretary SCHWELLENBACH. I am sure they can be made available, and I will be glad to send them up in the form of a letter.

The CHAIRMAN. We will incorporate them in the hearings at this point.

DEPARTMENT OF LABOR,
OFFICE OF THE SECRETARY,
Washington, November 9, 1945.

HON. CARTER MANASCO,

*Chairman, Committee on Expenditures in the Executive Departments,
United States House of Representatives, Washington, D. C.*

MY DEAR CONGRESSMAN: At the hearing on the full employment bill on November 7, your committee addressed three questions to me, which I agreed to answer for the record.

I am very glad to provide the materials which you requested. They are as follows:

I. How much expenditure for materials is required on the average to put a man to work in private industry?

There has been no census of American industry since 1939, and it is difficult to say precisely how many dollars of material it will require today to put a man to work in industries under reconversion conditions. In 1939 the figures for some of our leading industries were as follows:

Automobiles	\$2, 765
Steel works and rolling mills	2, 790
Chemicals	3, 375
Rubber	3, 165
Cotton textile manufactures	1, 220
Private building construction	1, 820
Private building construction (1945)	2, 520

It is estimated that the amount required for private building construction at the present time would be over \$2,500 in view of the rise in the price of materials of about 30 percent and of a somewhat larger degree of fabrication of materials. This assumes 1,400 hours worked by each employee per year, which is about the average employment of construction workers engaged in private industry. If these workers worked 1,650 hours a year (33 hours a week for 50 weeks), the amount for materials per man would be closer to \$2,975.

II. How many people are employed by large plants as compared with small plants?

The Smaller War Plants Corporation informs me that about 43 percent of the employment in manufacturing and nearly 60 percent of the employment in mines is in firms with less than 500 employees. This is their usual definition of a small factory or mine. If you define a small factory as employing 250 workers or less and a small mine as employing 100 workers or less, then about one-third of factory employment and about 30 percent of mining employment is in small firms.

For trade and construction, it is difficult to agree upon what is a small firm, but if we say that a small firm employs 50 or fewer employees, then 51 percent of the employees are in small firms in wholesale trade and contract construction; 55 percent of the employees in finance, insurance, and real-estate firms are in this class, while only 18 percent of transportation, communication, and public-utilities employees fall in this category. If, however, you describe a small firm in wholesale trade and contract construction as employing fewer than 20 employ-

ees, the proportions drop to 36 percent for wholesale trade and 37 percent for contract construction. If you define a small firm in finance, insurance, and real estate as one with 7 or fewer employees, 30 percent are included.

In services, 54 percent are in firms employing less than 20 employees, and 37 percent are in firms employing 3 or less employees. In retail trade, stores with 7 or less employees employed 53 percent of the total, and those with 3 or less, about 40 percent.

These figures are reported by the United States Department of Commerce in the Survey of Current Business for May 1944, and are based upon the census materials for the year 1939. They have been provided to us by the Smaller War Plants Corporation.

III. What were the relief expenditures from 1934 to 1939?

These reports, shown on the next page, are from the Social Security Board.

Public expenditures for assistance and work-program earnings, 1934-39—Federal, State, and local¹

[In thousands of dollars]

Year	Amount and source of funds			
	Total	Federal funds	State funds	Local funds
1934	1, 779, 313	1, 348, 572	176, 433	254, 308
1935	1, 871, 315	1, 372, 389	242, 974	255, 952
1936	2, 505, 303	1, 938, 550	336, 239	230, 514
1937	2, 173, 580	1, 543, 895	396, 073	233, 612
1938	2, 827, 300	2, 060, 300	495, 582	271, 418
1939	2, 638, 869	1, 831, 466	531, 430	275, 973

¹ Excludes expenditures for the Civilian Conservation Corps, the National Youth Administration, the Public Works Administration and regular Federal construction projects.

Source: Trends in Financing Public Aid, 1930-41, p. 251, Social Security Yearbook, 1941.

It was a pleasure to testify before your committee. If there is any other information that we can provide, we would be very glad to do so.

Yours very truly,

L. B. SCHWELLENBACH.

Mr. HOFFMAN. Do you think that it is wise or unwise to have most of the jobs given by big business or small business?

Secretary SCHWELLENBACH. Unfortunately, most of the jobs are given now by big business.

Mr. HOFFMAN. Do the figures show that the majority of the workers in this country are employees of big business?

Secretary SCHWELLENBACH. I think undoubtedly they do.

Mr. HOFFMAN. I do not want to make extra work for you, but if it would not be too much trouble I wonder if you could give us in years, to be selected by you—and you can take them back to what you call the boom period of 1929, and then, say, in the depression years, and then along 1938, what percent was hired by big business and what percent by small business.

I realize that big business can give us more things for less money than small business, but will we not have to sometime determine which way we are going—to monopolies by large corporations which can give us more for less money, or small business which perhaps costs us more but gives us a greater degree of independence and liberty?

Secretary SCHWELLENBACH. Yes. I was always interested in State legislation concerning chain stores. I did not look upon them in the way some people did, because I realized that they furnished goods cheaper than the locally owned grocery stores or the drugstores, and so forth. You have to weigh against the desirable result of getting

cheaper goods the undesirable social results and the financial results in your local community of having it controlled from outside some place and the money being siphoned off and taken away from the community. It might be more desirable to have the business in the hands of the local grocer. He may charge you a little more but the community would keep the money there and it might be better to have it that way.

Mr. GOSSETT. We are all concerned, I think, about the philosophy of this bill and the social trends generally. The thing that is worrying me—and this is along the line of your testimony—is that all the little folks, or the unorganized folks, now may get squeezed out by a gigantic monopoly on one hand and a gigantic labor organization on the other.

Mr. HOFFMAN. That is what I am thinking about. I have noticed as the motor corporations grow larger and more efficient and give us more for our dollar, the people that are in those factories become, may I say, less skilled because the machine is doing all the time a greater proportion of the work. I sometimes wonder—and I think these are thoughts in the mind of the gentleman from Texas—whether or not those employees are just becoming so much material. I think a similar thought was in your mind, Mr. Gossett.

Secretary SCHWELLENBACH. It is a matter that we talk about all the time. We increase the productivity per man-hour of each worker, but he does not become much more than a machine.

If I might digress a minute along this line, I took a trip a year ago last summer and met the head of one of these independent steel companies who was very proud of the fact that he had started in as an apprentice and had worked his way up and was now president of the company. He talked about his personal career a great deal. He said, "Can a young fellow start out and do that any more?" I asked him if he could.

He said, "Oh, no; they do not start out that way any more." He had told me how he had worked in one place and another place and still another place in the same company until he knew all about the operations and the machinery of that company. He said, "We have men doing one thing. We produce on the machine, and they do not learn anything else except that one particular part."

I asked, "How are you going to get your presidents in the future?"

He said, "What we do is to take college-trained engineers, and we will let them go through the process that I went through working in one department and then another department and learning all about it; but there is no chance for anybody like me to start out at the age of 17 and end up at 50 the president of a large corporation."

I think that is right along the lines that you are talking about. It was a very interesting thing. Some of the opportunities we talk about in this country are pretty much imperiled by the complete mechanization of our productive system.

Mr. HOFFMAN. That is the thought I had in mind. I do know that in our own country at least some laborers starting in as day laborers, and as we have improved our canning processes and they have become cognizant of those improvements, they have gone along and established not only their own canning industries, but they have started manufacturing industries.

I do know also that in my own district, for example, a group of farmers established a co-op for purchasing and hatching and raising flocks of chickens, buying cows, operating dairies, and they have doubled their capital many times in the last 15 years and have established well above a \$2,000,000 yearly business. So I do not think that the door of opportunity has been completely shut.

Secretary SCHWELLENBACH. I did not say that it was shut. I only say that I wonder sometimes if it is not imperiled.

Mr. GOSSETT. I would like to paraphrase the Secretary's statement. The Horatio Alger stories of yesterday are going to be the fairy tales of tomorrow.

Mr. HOFFMAN. Perhaps we are speculating, but in a magazine last Sunday I saw where the Flying Tigers returning from China were buying these old airplanes and making them into freight carriers—a transportation system here at home.

Mr. GOSSETT. They are going back to China with them, though?

Mr. HOFFMAN. They are going to be used here.

Mr. Secretary, do you think that the Government could furnish all the needed jobs?

Secretary SCHWELLENBACH. No, sir.

Mr. HOFFMAN. I take it you are not in favor of any program which would do away with our private enterprise system, so-called.

Secretary SCHWELLENBACH. You are correct; yes.

Mr. HOFFMAN. Do you agree with me that these functions of the Government should be confined to protecting those who might be the victims of undue advantage through fraud or monopolistic practices, unfair trade practices, improper labeling of goods, and violence, robbery, or should the Government attempt to direct private enterprise and tell business what to do, when to do it, and where to do it?

Secretary SCHWELLENBACH. Only to the extent that it is absolutely essential in order to maintain our economy.

Mr. HOFFMAN. To do what—just broadly?

Secretary SCHWELLENBACH. To assist private business in the matter of the expenditure of funds for the purpose of furnishing employment. That is what we are talking about here.

Mr. HOFFMAN. What I was trying to get at was your idea of the broad general functions of Government and perhaps how far we should go in giving aid to either big business or little business or employees.

Secretary SCHWELLENBACH. We have always recognized the necessity of the Government being of assistance to business.

Mr. HOFFMAN. In what particular ways?

Secretary SCHWELLENBACH. We have recognized it throughout the history of the country in the matter of subsidies.

Mr. HOFFMAN. Tariffs?

Secretary SCHWELLENBACH. And tariffs, yes; which are primarily subsidies.

Then, during the last few years we recognized the necessity in the matter of furnishing employment in various ways.

Mr. HOFFMAN. In your opinion, is the primary purpose of this bill to create jobs, or is it to create purchasing power?

Secretary SCHWELLENBACH. Well—

Mr. HOFFMAN. Well, it is like the hen and the egg.

Secretary SCHWELLENBACH. Yes.

Mr. HOFFMAN. Some folks argue that the jobs will do it and others argue that if you pay the wages that will create the production.

I noticed that you stressed several times this thought of purchasing power. For instance, on page 3 you say,

What we must do is to make sure that we can consume plenty. We can consume plenty only if our people have the purchasing power with which to buy.

Several other witnesses have stressed that. By stressing it you do not mean just placing money in the hands of the people will solve our unemployment problem, do you?

Secretary SCHWELLENBACH. No. If that were so, we might have Mr. Vinson hand out money every month to people. I do not approve of that at all.

Mr. HOFFMAN. You would not provide a job for anyone unless he was willing to do work that would make an adequate return of worthwhile things, would you?

Secretary SCHWELLENBACH. No. I was a Member of Congress when we had the WPA program, and I am as anxious as anyone else to avoid that sort of program again. When you get to the problem of unemployment from the back door, that is, after it has occurred and you have it with you the program such as WPA is about the only thing you can put through because you do not have the planning and the necessary blueprints in order to put through the program such as is contemplated by this bill.

Mr. HOFFMAN. Could you, without much trouble, give us the amount of money spent in 1934 down to 1939 on what we might call "made" work?

Secretary SCHWELLENBACH. I think we have it. I can get it for you.

Mr. HOFFMAN. I would appreciate it if you could put it in the record right there.

Secretary SCHWELLENBACH. Yes.

Mr. HOFFMAN. In that connection, I want to put into the record a table showing the unemployment in 1934-39, inclusive.

Mr. COCHRAN. It is so ordered.

(The tabulation referred to is as follows:)

Estimates of number of unemployed for month of January in years listed, as set up by organizations and individuals named

	Alexander Hamilton Institute	Robert R. Nathan (President's Committee on Employment Security)	National Industrial Conference Board, New York City	American Federation of Labor	Congress of Industrial Organizations
1934	13,528,000	11,469,000	11,544,000	13,382,000	12,669,000
1935	12,659,000	10,485,000	11,234,000	11,695,000	11,741,000
1936	11,454,000	9,688,000	9,434,000	10,952,000	11,620,000
1937	9,250,000	8,076,000	7,574,000	9,241,000	9,751,000
1938	11,809,000	10,265,000	10,328,000	10,926,000	11,714,000
1939	11,552,000	11,029,000	10,012,000	11,369,000	12,323,000

Mr. HOFFMAN. The figures, I may say to the Secretary, were compiled by five different agencies—the American Federation of Labor gave us the figures of 13,382,000 unemployed in 1934.

The CIO was practically the same, 12,609,000.

And then in 1939, after we had spent I don't know how much money—but which I hope will be shown by your report—the AFL said we still had 11,368,000 unemployed while the CIO said that we had 12,000,000, which indicates to me that our spending did not do us much good if the objective was the ending of unemployment. Have you any comment on that situation?

Secretary SCHWELLENBACH. Well, the kind of spending that we did during that time was at \$55 a month, which did not provide any purchasing power that was of any value in the general economy.

Mr. HOFFMAN. If they had been paid \$200 a month for the same kind of work, would that have advanced it, do you think?

Secretary SCHWELLENBACH. No.

Mr. HOFFMAN. The men that got the \$55 were all working. We may assume that much of the work was not of any particular value, may we not?

Secretary SCHWELLENBACH. Well, there were a lot of things there that were of value. I am not willing to agree, Mr. Hoffman, that the record of the WPA was a record of waste of public funds. You can go all over the country and see things done by the WPA which are of permanent value.

Mr. HOFFMAN. That is right in a few instances.

Secretary SCHWELLENBACH. But the basis upon which the program was carried through of quickly improvising from month to month the different things from the WPA workers to do at \$55 a month did not create any sort of situation where private business could get any benefit out of it. It seems to me to be much better to plan in advance the program and have work you can afford and justify, so that you can pay a wage which will give those people purchasing power which will assist private business.

Mr. HOFFMAN. Probably no one will disagree with you that if we are to have Federal jobs—and I mean jobs created by Federal investment, construction, and things of that kind—we should plan in advance. The fact remains that during those years the Government did spend billions of dollars and it employed many, many people, and yet at the end there was practically the same number of unemployed. I was just asking what reason you would give us for the failure of the remedy to act successfully.

Secretary SCHWELLENBACH. I tried to answer that question.

Mr. HOFFMAN. As I understood it, you said that we did not pay them enough.

Secretary SCHWELLENBACH. I did not say that.

Mr. HOFFMAN. They were paid too low.

Secretary SCHWELLENBACH. The amount of money they got they necessarily had to get because of the nature of the work that was being done and the returns that were being secured from it, and it did not supply purchasing power which was of sufficient assistance for private business to build up during that period and employ the people themselves.

Mr. HOFFMAN. Do you think if their wages had been increased the problem would have been solved?

Secretary SCHWELLENBACH. If they had done a different type of work so that they would have been able to earn increased wages and secured those wages, yes?

Mr. HOFFMAN. That is, if the work they did, and for which they were paid gave employment to other people, or resulted in employment to other people; is that what you mean?

Secretary SCHWELLENBACH. That plus the increased purchasing power that we would have had which would have resulted in employment to the other people in private industry.

Mr. HOFFMAN. Does that lead us to the conclusion, following through, that it is purchasing power in the hands of the people that we should strive for?

Secretary SCHWELLENBACH. That is one of the things that we should strive for, certainly.

Mr. HOFFMAN. These people had their jobs. They did not get enough money to create purchasing power, I gather from your testimony.

Secretary SCHWELLENBACH. Plus the fact that the nature of the jobs was not such as to create other jobs in private industry.

Mr. HOFFMAN. What we might call secondary work.

Secretary SCHWELLENBACH. Yes. You can take, for example, a crew of men working on a road just doing labor, not using any materials, and they do not create any other jobs for people in private industry. That is the distinction that I think should be made between a program such as is contemplated under this bill and the program that we used during the 1930's.

Mr. HOFFMAN. Over on page 4 you refer to the fact that we recruited millions of new workers into the labor market—including children.

Secretary SCHWELLENBACH. That was during wartime.

Mr. HOFFMAN. Now, in considering this bill and its desirability, should we take into consideration, or should we act upon the theory, that many of those who were employed should go back to the places from which they came and the businesses from which they came before they were induced by these high wages and patriotism and one thing and another to get into the factories?

Secretary SCHWELLENBACH. Undoubtedly they are going to have to go back to their places.

Mr. HOFFMAN. You will agree with me, will you not, that under our system and our way of doing things many of these housewives and these young women who never were employed before should go back to their homes instead of competing in the factories?

Secretary SCHWELLENBACH. Certainly. If a woman has the responsibility of a home, of children, and does not have the necessity of working, but is just working because of the fact that she has gotten in the practice of it and likes it, she should stay at home.

Mr. HOFFMAN. We cannot all have a factory job with General Motors or Little Steel or Big Steel.

Secretary SCHWELLENBACH. I agree with that.

Mr. HOFFMAN. Do you think, in considering this bill, and the desirability of passing it, we should give any consideration to those who are voluntarily striking? I have in mind the streetcar employees here.

Secretary SCHWELLENBACH. Do you mean is it the responsibility of the Government to furnish employment to people who are striking?

Mr. HOFFMAN. I can guess your answer to that one. No. it is broader than that. When we are considering a bill here whereby we

are going to use the taxpayer's money to create jobs for the unemployed, should we not also include something which will get all of our trouble into one basket, or as much of it as we can?

Here today there are perhaps hundreds of thousands of Federal employees whose services are necessary to the transaction of the Government's business right here in Washington who either cannot get to their jobs or get there late and have to leave early, and as a result the Government's activities are suffering. Are we to go ahead and provide jobs here so that the gentlemen who are operating the transit system can just quit the transit system and go over some place else and get a job?

Secretary SCHWELLENBACH. Well, I do not think there is any desire on the part of these people who are not working in the transit system today to go over and get a job some place else.

Mr. HOFFMAN. Suppose that they do not negotiate to a successful conclusion. Suppose they say that they are going to get so much or they will not work, and under our system they do not have to work if they do not want to. Is there any reason why we should provide over on the next street or block or the next State a job that these people can shift to?

Secretary SCHWELLENBACH. No; I do not think it is contemplated in this bill that we are going to furnish employment to people who refuse to work and strike from one job and go to another one. I do not think that we would furnish them a job in some other place.

Mr. HOFFMAN. Under our system—and I am just using this as an example—we cannot make them go back to work. We cannot make them work if they do not want to, and they quit. Now, would there not be an increased tendency on the part of the workers to quit that job if they knew that if they are unemployed they can go over and take a Federal job and be paid perhaps under the Walsh-Healy Act and come under the beneficial provisions of the Government laws?

Secretary SCHWELLENBACH. They would not be working directly for the Federal Government.

Mr. HOFFMAN. They will be working for some contractor on a Federal job. For example, we have plans for a stadium in Washington. The planners want \$25,000,000 to construct it. If it were in the cards that Congress was going to appropriate that \$25,000,000 right off the bat, these streetcar workers could go out there and get jobs as janitors or whatever it might be—machinists, perhaps, skilled workers, and get more money than they can down here at the streetcar company because, perhaps, the streetcar company cannot pay any more. Are we not opening the doors to and encouraging unemployment?

Secretary SCHWELLENBACH. I do not think so at all.

Mr. HOFFMAN. So you do not think that a man would strike or quit his job that he was holding if another one more agreeable and paying a higher wage were available?

Secretary SCHWELLENBACH. No; but you seem to envisage a situation where all the employees of the streetcar system here would simultaneously quit.

Mr. HOFFMAN. They did.

Secretary SCHWELLENBACH. Just a minute. It might be that individuals would see a more attractive opportunity somewhere else and would leave their employment, but you are not going to have all the

employees of one concern picking up and leaving just because there are other jobs available some place else.

Mr. HOFFMAN. If the other jobs paid more money and offered more agreeable working conditions, with the American spirit that we have, they would be looking for the better job.

Secretary SCHWELLENBACH. The other jobs would not give more money. They might be more attractive than working on a streetcar in the city of Washington.

Mr. HOFFMAN. The only thing I had in mind was whether or not the passage of this bill would cause the Government to enter into competition with private industry.

Secretary SCHWELLENBACH. I do not think so at all.

Mr. HOFFMAN. I thank you very much.

Mr. COCHRAN. I am going to take only a minute or two of your time. You say that you are in favor of the principles enunciated in this legislation, H. R. 2202. I take that to mean that you care not what the language of the bill is just so that the principle is included in the legislation; is that correct?

Secretary SCHWELLENBACH. No; that is not correct. I used the words that I approved the principle of this bill. I approve this bill.

Mr. COCHRAN. You would not object if we tried to make a better bill of it by including, say the suggestion made by Mr. Voorhis of California, and also by Mr. Whittington, of Mississippi, that we provide in this bill for the setting up of a commission or a board that will have nothing else to do but to gather this information for the President from the various government agencies, and other places where they might secure it. Now, take, for instance, if we do not do that, as I see it, the President naturally will have to call upon his present subordinates, and one of them of course would be you, because you have the Bureau of Labor Statistics under you. Now, you are a pretty busy man, and I think it would be better if we set up a commission, or a board, to gather this information for the President and let that board be responsible for the information he receives.

Secretary SCHWELLENBACH. Do you mean a commission or a board similar to the National Planning Commission?

Mr. COCHRAN. Something on that order, but limited in securing the information that would be necessary for the President so that he could send down an intelligent budget message, as provided for in this bill. What I want to do is to help the President get the information so that he will have at his disposal the most accurate information that can be secured.

Secretary SCHWELLENBACH. Section 4 (a) of this bill reads:

The national budget shall be prepared in the Executive Office of the President under the general direction and supervision of the President, and in consultation with the members of his Cabinet and other heads of departments and establishments.

I can see the merit in the proposal except this: We do have the Bureau of the Budget, which is a coordinating agency between the various departments of government. I would hate to see the bill amended in such a way as to set up a commission that would interfere with the normal operations in the executive branch of the Government through the Bureau of the Budget.

Mr. COCHRAN. The thought is to make this commission or board directly answerable to the President alone and therefore one of the agencies that the commission or board would call upon would be the Bureau of the Budget.

Secretary SCHWELLENBACH. It now provides that it shall be prepared in the Executive Office of the President.

Mr. COCHRAN. And this board as set up would be answerable solely to the President. It would be in his office, and then the board or commission would secure from you what information you had from the Bureau of the Budget information as well as other agencies.

A question was asked you a few minutes ago by the chairman with reference to the boys coming back who had left school. How would you get any information with reference to how many of them were going to take jobs and how many were going to go back to school? I think that would be the easiest thing to do. In other words, we could find out from the Navy and the Army just how many people were in the service of school age at the time that they were taken, and then we could go to the Veterans' Administration and find out from the Veterans' Administration how many accepted the educational provisions in the GI bill, and there you have a figure that is almost accurate. That board could do that without any trouble. It seems to me that suggestion is very sound, and I am talking from the standpoint of one that is just as much for this bill as you are, or anyone else. I do think that that is a sound suggestion.

Secretary SCHWELLENBACH. Well, I am inclined to think so too, but I would want to make sure that it did not interfere with the Bureau of the Budget.

Mr. COCHRAN. A bureau or board answerable to the President and not an independent agency. I think that could be worked out and that it would be very helpful.

Now, Mr. Hoffman referred to married women. Well, I am not going to stick my neck out any more with married women because I stuck it out once. I happened to be the author of the provision in a bill that provided that where there was a reduction in force in the Federal services and there were two people working in the same grade, a man who had a wife and four children, and a married woman who had no children and who had a husband also employed in the Government, the provisions of that amendment were that the man whose wife was at home taking care of the children could not be discharged or furloughed until the woman who had a husband in the Federal service and who had no children had been furloughed. Well, that went along for a while and it worked, but when the elections came around the ladies of the country got sufficient pledges from the candidates for the House and the Senate that they voted to repeal that act. When it came up on a division vote in the House the vote was overwhelmingly against repeal, but when they called the roll the members who had pledged themselves in the campaign to support an effort to repeal the act voted to repeal the act. I am not going to stick my neck out any more with married women, although I still think my suggestion was sound.

Now, Mr. Secretary, I want to thank you for your statement, and I know how busy you are with this conference uptown, and I am not going to take up any more of your time, in the hope that we can get around the table here this morning.

I will call on Mr. Church.

Mr. CHURCH. Mr. Secretary, on page 2 of your statement you say: "Any job well done is dignified."

I want to congratulate you upon that philosophy.

Now, at the bottom of page 1, with reference to the term "full employment," you say:

As I construe the term it means a condition in which all who are able and willing to work can find jobs under satisfactory conditions.

A while ago Mr. Hoffman by way of illustration mentioned the building of a stadium here in the District that would induce men to leave other jobs like the strikers today and yesterday in the transportation system here in the District. You mentioned that the men would leave jobs because of more satisfactory conditions on other jobs, perhaps meaning jobs like those at the stadium. I do not know whether you meant that they would go to the stadium or not, if it were ready; but you will admit, will you not, that it would be a temptation to some of these labor leaders that urge their members to strike? It would be a temptation to the workers to go over to the other work that is provided by the Federal Government, would it not? There is that temptation, is there not?

Secretary SCHWELLENBACH. I do not see any serious problem of having a group of people going from one place to another and having a strike in one place because there are other jobs. There are going to be a lot of other people after those jobs also. You just cannot pick up 1,000 people and move them to a job. I cannot see any serious basis for that at all.

Mr. CHURCH. If 10,000 people in New Orleans are out of work, and it may or may not be because they are to blame for the Higgins Plant strike there, is it not one of the purposes of this planning that there be work planned in other sections of the country so that these people can be transported there to work?

Secretary SCHWELLENBACH. Why have them leave New Orleans in the first place?

Mr. CHURCH. I am assuming you stick to your principle stated here: "Any job well done is dignified." I am assuming that the majority of those people really want to do a good job some place and produce for their families. Some of us do not want to place further temptations in their way. Some of us want to lighten your work in the settlement of these strikes.

Secretary SCHWELLENBACH. If there is any way you can figure that out, I will be glad to have your help.

Mr. CHURCH. We do not want to create additional temptations to honest working men where they can be told by radical labor leaders, unjustifiably in many cases, "Your conditions here are not satisfactory." We should not create more temptation where they can say, "Our Federal Government will provide jobs for you over here in another locality."

For illustration, Mr. Hoffman pointed out that there may be work at the stadium. Assume that that project is ready, you would not want that sort of situation.

Secretary SCHWELLENBACH. No; and I do not fear it at all. I think your fears are unfounded on that.

Mr. CHURCH. I grant that it can be done under this bill.

Secretary SCHWELLENBACH. I think that your fears are entirely unfounded. In this matter of all the unrest at the present time—and there are a lot of things wrong about it—there is the element that cannot be discounted, the feeling of insecurity because people do not know whether they are going to have jobs or not, and it is desirable for them to know that the Federal Government is taking the responsibility of making a serious effort to see that they do have jobs. You will have a lot less labor trouble if you have that feeling.

Mr. CHURCH. What group of people have created that fear the most? Businessmen are looking for employees all over in my section of the country. Who is creating that fear, this philosophy that we are not going to keep our historical success as a nation under the free-enterprise system? I am talking to the point of the possibility of some radical labor leaders encouraging men to leave good jobs in private industry by creating jobs through more and more public works. Perhaps the best illustration might be Higgins Co. strike, and then the workers suffer. Then this bill provides a Federal planning so the Federal Government can provide jobs elsewhere in another section of the country and possibly transport the workers to the different sections of the country.

Secretary SCHWELLENBACH. I am sorry. I disagree with you on the theory that you have.

Mr. CHURCH. That is the trouble, when we get down to the real meat of what this bill can mean the sponsors of this bill dodge the very question that we are asking.

Secretary SCHWELLENBACH. I am not dodging at all. I am just saying that I think you are absolutely wrong.

Mr. CHURCH. You say on page 4 of your statement—

H. R. 2202 is the logical outgrowth of our experience and would give statutory recognition to this definite responsibility.

I presume that is the responsibility set forth in the bill.

Do you mean that is a statutory authorization of the principles outlined?

Secretary SCHWELLENBACH. Yes.

Mr. CHURCH. "Yes" is the right answer. That being the case, would the Secretary outline some of the Federal projects he thinks would be needed in the immediate future?

Secretary SCHWELLENBACH. I cannot answer that.

Mr. CHURCH. That is a thing that the proponents of the bill have not been willing to give the committee when, as a matter of fact, the different departments are at the very moment holding back a number of contemplated projects.

Secretary SCHWELLENBACH. Have you had Mr. McDonald and General Fleming appear before the committee?

Mr. CHURCH. No, sir.

Secretary SCHWELLENBACH. It seems to me that for an answer to that question those are the men that you should call—men in that kind of work.

Mr. CHURCH. The witnesses in favor of this bill seem to keep from us just what those projects are. Certainly if a bill contemplates Federal planning there should be some suggestion as to what that planning should be by way of definite projects. You do not know of any?

Secretary SCHWELLENBACH. No.

Mr. CHURCH. If you do, tell us some of them.

Secretary SCHWELLENBACH. Well, now, Mr. Congressman, there is no withholding on my projects or any plans. I know of none. If I did, I would tell you.

Mr. CHURCH. If you can get something together and extend your remarks and include them I would like to have them for the committee's information.

On page 3 of your statement you say :

American inventive genius and skill of organization have made of this country the greatest productive machine yet known. Our problem now is one of consumption. We produce plenty.

When you say that, does that mean that you do not realize the great possibilities of the millions of unborn businesses that can go forward because of new inventions that have been held up during the war? They are all ready to go and can furnish employment for millions. Do you mean that the inventive geniuses should now give way to not producing more? You say that we can produce plenty.

If you cannot answer that, would you estimate for me the numbers that you think there are of unborn businesses that can employ people?

Secretary SCHWELLENBACH. I am sorry, but I cannot answer that question.

Mr. CHURCH. Why do we not have statistics as to the number of employees that can be used in those new businesses?

Secretary SCHWELLENBACH. I am sorry, but I do not have that.

Mr. CHURCH. One witness came here and testified that the number of them would equal the number of bills introduced in Congress. I think that is what he said. Perhaps he limited that to one year in Congress, or two.

On page 6 you say :

"Fully employed people will need no propaganda to convince them of the superiority of our system over totalitarian systems.

Who doubts that our system is not the best?

Secretary SCHWELLENBACH. I do not think there are very many people in this country that doubt it. However, I would be disturbed by another period of depression coming shortly.

Mr. CHURCH. Is that what you mean when you said just ahead of the statement that I just quoted :

The history of the rise of totalitarianism shows that the country whose citizens are in greatest danger of losing their individual freedom is the one tolerating mass unemployment.

You mean the rise of totalitarianism where?

Secretary SCHWELLENBACH. In various countries where they have had totalitarianism, there is a direct relationship between the unemployment and the success of those who wanted to destroy individual freedom.

Mr. CHURCH. One of the greatest elements of totalitarianism is the greater degree of governmental regulation.

Secretary SCHWELLENBACH. That is the result of totalitarianism. That is what you get when you get a totalitarian government.

Mr. CHURCH. That is what you referred to, more government control. That is all Mr. Chairman.

Mr. GOSSETT. The Secretary is a very busy man, as you know, and has a very important conference down town. I assume that we are going to try to finish with him as a witness by noon. I wonder why it would not be a good idea to limit questioning by members to five or eight minutes each from here on out.

(Discussion off the record.)

Mr. WHITTINGTON. Mr. Secretary, I am always glad to have your views and I am particularly glad you emphasized the Benjamin Franklin philosophy that "Any job well done is dignified." I think that is sound.

This bill is a program for a long-range view with respect to employment and unemployment; is it not?

Secretary SCHWELLENBACH. Yes.

Mr. WHITTINGTON. And that is a matter that concerns me, and as I understand it, the people of the country generally. There are dislocations at the present following the cessation of hostilities, but with the accumulated savings and with the scarcity of jobs this emergency situation will accommodate itself and is expected to accommodate itself within the next 6 months, so that up in the year 1946 there will be rather general employment?

Secretary SCHWELLENBACH. Yes. It is anticipated that peak will come in April, and from that time on it will go down through the remainder of the year.

Mr. WHITTINGTON. With respect to the bill it declares for the fostering of the competitive free enterprise system. You are in accord with that?

Secretary SCHWELLENBACH. Yes.

Mr. WHITTINGTON. That is fundamental, and as I understand it, you are opposed to the Government being put into competition with business?

Secretary SCHWELLENBACH. Yes, as a general principle.

Mr. WHITTINGTON. The other system to provide employment would be what is termed totalitarian or the socialist system, where all citizens are guaranteed, or are given, the right of employment and are protected in that right. That is a system that does obtain with respect to employment and has obtained in many countries, and you oppose that system, as I understand it.

Secretary SCHWELLENBACH. Yes.

Mr. WHITTINGTON. Mr. Secretary, without quibbling as to the meaning of the term "full employment," the term "full production," the term "full consumption," full employment is intended to be a high level of employment?

Secretary SCHWELLENBACH. You could have a job available for every individual in the United States and still you would have a good many people who were not working because they were between jobs.

Mr. WHITTINGTON. They are termed "frictional employees," or "frictional labor," and there is seasonal labor. Some people in the country do not work, or expect to work, all the year round. Their labor is confined to certain periods of the year, so that the better term is a high level of employment; is that not true, rather than absolute full employment?

Secretary SCHWELLENBACH. Yes, that is right, as compared with the situation where the people who want to work and need the work cannot get work.

Mr. WHITTINGTON. The declaration here is for the private enterprise system. As I understand, your idea is that in the event under the private-enterprise system there is not employment, or a high level of employment, that should be supplemented by sound national works that are in the national interest rather than relief or "make" work.

Secretary SCHWELLENBACH. Yes.

Mr. WHITTINGTON. The problem is as to where private enterprise employment would end and Government employment would begin, and my difficulty is that there are in this country, and it has been stated to this committee, those who believe that this bill declares that the Government is committed to giving everybody a job. There are those who believe this bill undertakes to declare the Government will supply a job for everyone and they believe this bill provides that they will do that by continued deficit spending, if necessary. Is that your viewpoint of the bill?

Secretary SCHWELLENBACH. Well, under the statement that the Government recognizes it is responsible to supplement the employment by private enterprise and during a period when it is operating depending upon the tax situation at that particular time, it might be that deficit spending might ensue. But the thing that I cannot see is the lack of appreciation by some of the fact that this bill does give to the Congress a much more definite part in the planning and the determination of how the money is to be expended; this setting up of a joint committee of Congress which is directly in it.

When I was here before we were constantly being criticised because they said we drew blank checks for the President and had given him \$4,000,000,000, \$8,000,000,000, and \$3,000,000,000 another time. This bill provides that the Congress itself is going to have a part in determining what projects will be undertaken.

Mr. WHITTINGTON. And you stated that you do not care to go into those projects and you have no recommendations along that line at this time?

Secretary SCHWELLENBACH. No, I do not have.

Mr. WHITTINGTON. I can understand.

Secretary SCHWELLENBACH. It is not a part of my function to know what the projects are.

Mr. WHITTINGTON. Here is what bothers me about this bill. In order to provide for the full employment that obtained during the war continued deficit spending was absolutely mandatory every year, and if we have the declaration that we are going to provide in normal times for the same thing I see no escape from deficit spending. I would like to see us discover a middle ground that would put the emphasis on private industry and provide for public works that may be stepped up in periods of economic dislocation. I do not think that this bill provides for that. If you have any suggestion as to where we can combine those two ideas, I would be glad to have it. I will yield to the next member on the committee.

Mr. JUDD. Mr. Secretary, I am glad to hear you as a witness, partly because I have been in substantial agreement with your views on a good many things for some years back, as you know; and I have been grateful for some of the thoughts that have appeared in your statements since you have become Secretary of Labor, such as your statement that the employees in your Department were supposed to

carry out policies whether they liked them or not, rather than sabotage them. That is a most wholesome note in our whole government.

You are familiar with the bill as it was passed by the Senate, are you not?

Secretary SCHWELLENBACH. Yes.

Mr. JUDD. Do you have any comment as to which of the two is preferable in the sense that it is better designed to do the job we all want?

Secretary SCHWELLENBACH. Well, I do not see in the Senate amendments any great change in the bill.

Mr. JUDD. You do not feel that the Senate amendment that qualifies the pledge of Federal investment and expenditure is a weakening or watering-down amendment? It provides on page 4 in line 8 of Senate bill 308:

To the extent that continuing full employment cannot otherwise be attained it is the further responsibility of the Government to provide, consistent with the needs and obligations of the Federal Government and other essential considerations of national policy, such volume of Federal investment and expenditure as may be needed * * *.

Secretary SCHWELLENBACH. I do not think that is a serious change; no.

Mr. JUDD. You do not object to, or you do not disapprove of the other main amendment that was put in by the Senate requiring that in any program of Federal investment that would require borrowing money, there shall also be submitted simultaneously a program of taxation over a reasonable period of time to offset that deficit spending so that there would not be a net increase in the national debt?

Secretary SCHWELLENBACH. No; I have no serious objection to any of the Senate amendments. There were several purely drafting amendments.

Mr. JUDD. Some of us believe those are a little more honest and more businesslike because without them we are making a pledge that no matter what happens we will be able to deliver whatever volume of money may be needed. For example, you say here, "It was only when the war came that we obtained full employment." That is true, but would you say that the way by which we obtained full employment during the war was a sound way; that is, on the basis of 20 to 50 billions of borrowed money a year?

Secretary SCHWELLENBACH. Certainly not.

Mr. JUDD. Therefore, your statement on page 5 that "It is good business for the American people to have full employment" should be qualified to say, "It is good business if the full employment is achieved without further increase in the national debt."?

Secretary SCHWELLENBACH. Where the further net increase—

Mr. JUDD. I do not mean the immediate year. In the immediate year you would probably have to borrow money.

Secretary SCHWELLENBACH. The program submitted should also carry with it a study of what the effect is going to be on the debt and the use of taxation as a device and provider as well as the use of spending.

Mr. JUDD. Yes. If we can get full employment without a net increase over a reasonable period of time, do you not believe that full employment through the increase in taxes will decrease rather than increase the national debt?

Secretary SCHWELLENBACH. It certainly should.

Mr. JUDD. But if perchance we got to a place where we could not achieve full employment by private enterprise and we made adjustments in taxes, credit, and other measures and they were all inadequate and we had to resort to the final measure of Federal investment and expenditures of borrowed money, do you think that we might come to a place where the spending to relieve the dangers of unemployment might produce an even greater danger of Federal insolvency?

Secretary SCHWELLENBACH. That is a problem. I do not think that this bill in itself presents that problem. It sets up and gives Congress, through the joint committee, for the first time, a definite responsibility in the planning of the activities each year, and it seems to me that there is nothing in this bill, if Congress is going to recognize its responsibilities when the budget is presented—

Mr. JUDD. Of course, we make a moral commitment in the bill as written. We do not make a legal commitment to make a particular appropriation. But we do make a moral commitment. As the language of H. R. 2202 reads, we make a moral commitment to provide whatever amount may be needed, regardless of what our financial capacity may be at the moment. Some of us are unable to make such a moral commitment because we do not know whether we can deliver. I cannot say that I will guarantee that a patient will get well. I can only say that I am going to do the best I can. So do you not think it might be bad in the long run for everybody if the impression got abroad generally that this bill did make any such guaranty? You know that it does not. I know that it does not. But you have heard of people who think that it does, have you not?

Secretary SCHWELLENBACH. Yes.

Mr. JUDD. Therefore, if the language can be straightened out so that it is perfectly clear to both its opponents and its advocates—everybody knows exactly what it does—do you not think that would be an advantage?

Secretary SCHWELLENBACH. I see no particular objection to the language which the Senate inserted in the bill; I will say that.

Mr. JUDD. I am glad to know that.

Do you feel, as has been expressed here, that the very announcement in the national budget of a pessimistic forecast, predicting that private funds are not going to be sufficient and that there will have to be a lot of Federal spending, might produce an exaggeration of the very thing that you fear—lack of confidence, caution, retrenchment, and unemployment, causing businessmen to say, "We had better not hire any more men until we see how we get through this crisis that is predicted?" Do you fear that that might happen?

Secretary SCHWELLENBACH. I will say frankly that I read some circulars about this bill, and I was very much impressed with that argument. You cannot say that it would result in that fear. I cannot say that it would not. It is a matter upon which we must theorize, each one of us.

Mr. JUDD. You must have an opinion, because you are the man who will get it in the neck worst of all if it would produce that effect. If it would precipitate unemployment, it would land on your shoulders in the Department of Labor.

Secretary SCHWELLENBACH. I am glad that you asked me the question, because I have come to this conclusion about it: If there was nothing to be done when the announcement was made, and it did not mean that the Government was going to do something about it, then I think that the fear would be justified. But if I have high blood pressure and I do not know about it and just go on, and I go to you and you take my blood pressure and tell me: "You have high blood pressure, and there is nothing you can do about it; you are going to have hardening of the arteries and the results that come from that"—that would be bad. But if you tell me, "I can cure your high blood pressure," then it is much better to have gone to you and had an examination by you and know that I have high blood pressure and do something about it than it is for me to just simply remain in ignorance about my blood pressure.

Mr. JUDD. I fear you should not have used that particular illustration, because no doctor can guarantee he can cure high blood pressure, unfortunately.

Mr. GOSSETT. Mr. Secretary, I want to ask just a few general questions. I would like to say that I regard you as a very able and conscientious public servant and think that you are doing the best you can. I hope that my questions will not reflect upon the Department in any way.

You say that you think the bill would increase the feeling of security throughout the country. Well now, security is simply a relative term, is it not?

Secretary SCHWELLENBACH. Yes.

Mr. GOSSETT. We must admit in the beginning that there is no such thing as absolute security. We cannot have it. If the bill should create a feeling of false security, to that extent it would be detrimental to the public good, would it not?

Secretary SCHWELLENBACH. Yes. If the bill is fallacious, it would be undesirable to pass it.

Mr. GOSSETT. And to the extent that the bill says that it assures full employment, that might be undesirable. Now, when the Federal Government assures something, that is just the same thing as guaranteeing it. When we say that a man's word is just as good as his bond, that is an old expression. If I give you my word, you can rely on it. Well now, the Federal Government's word certainly ought to be better than the word of any individual; and in this bill we say that the Federal Government is to assure—and that is the term that has been used in the testimony here—that the Government is not guaranteeing but is assuring.

Is there any difference between the Government assuring something and guaranteeing something? The title of the bill is:

To establish a national policy and program for assuring continuing full employment and full production and a free competitive economy * * *.

Can the Federal Government say that it assures something without at the same time guaranteeing it as far as possible?

Secretary SCHWELLENBACH. Guaranteeing it insofar as possible; yes. I think that you are right.

Mr. GOSSETT. In other words, we are just quibbling when we say "assure" does not mean a positive commitment.

Secretary SCHWELLENBACH. For guaranteeing as far as possible that the Federal Government will—

Mr. GOSSETT. Now, as I understand your testimony—and if I did understand it, I am in accord with it—I think that it would be bad for us to continue this deficit financing by way of public works. There is a point beyond which we cannot go?

Secretary SCHWELLENBACH. It is undesirable to continue deficit financing. There is always the matter of making a choice between the undesirability of that and the undesirability of something else.

Mr. GOSSETT. Sometimes we have to choose between evils.

Secretary SCHWELLENBACH. When the war came on we had to decide whether we would spend billions upon billions to win or have Germany and Japan take us over. We decided on the lesser of two evils.

Mr. GOSSETT. The Government, I think we all agree, should do everything it can within the limits of sound economy to promote full employment. Now, strikes, if continued in widespread fashion, result in unemployment, do they not?

Secretary SCHWELLENBACH. Yes.

Mr. GOSSETT. For that reason, it behooves us to discourage them in every way we can and to settle them as quickly as we can.

Secretary SCHWELLENBACH. Yes.

Mr. GOSSETT. Now, the Kelsey-Hayes strike, that is all over now, tied up the wheels of the assembly business, and that shut down another factory, and that in turn denied all the retailers over the country materials for automobiles. That resulted in widespread unemployment, if long continued. That is the result, is it not?

Secretary SCHWELLENBACH. Yes.

Mr. GOSSETT. Now, in connection with the legislation that we have before us, would it not be proper to deal with this problem intelligently, to further implement your power and authority, give you more power and authority to settle strikes than you now have? Do you not think that we ought to do that in connection with trying to assure full employment?

Secretary SCHWELLENBACH. Not in connection with this bill; no. This is a legislative matter.

Mr. GOSSETT. Maybe it would not be apropos to this, but if the whole economy of the country is involved in the question of employment, do you not feel that Congress ought to give you more power and authority to deal with these strikes than you now have?

Secretary SCHWELLENBACH. To answer that question would take a little more time than you will allow, but I will be glad to answer it if the committee wants me to.

Mr. GOSSETT. Your time is not limited; only mine. I would like for you to go ahead with your answer.

Secretary SCHWELLENBACH. I think that the committee is entitled to understand the position of the administration upon labor legislation. I know that there have been many people who have felt that we have been remiss in not presenting a program to the Congress on labor legislation.

Five days after the war ended the President laid the foundation for this labor-management conference which is now being held. Many people since the war ended have thought that we should have had a

meeting sooner. But if you could have seen the time spent on the preparations for that meeting you would agree that it was desirable to take time and prepare fully for it. I do not think there has ever been a conference anywhere that had the complete preparation that ours has had or interest.

There has been criticism of past conferences on labor-management on the ground that the Government had gone in and rigged them and laid down the program and that the people who were there did not have a chance to work out their own program.

The President has taken the position, and I have taken the position, that we were going to have this conference and give it every chance to work out the solution of these problems and that until that conference was completed—in order that we could not be accused of rigging the conference or prejudging it and presenting a program and getting it through before the conference came about and had completed its work—we would not take any position in reference to legislation.

Now, strikes are in a terrible situation at present. Nobody knows it better than I do, and nobody spends the time I do working on it. But the fact of the matter is that if we can work this thing out and get a program from this conference by which we can have some permanent program dealing with labor policies, it is infinitely better than having you gentlemen work something out which may be opposed by both labor and management and would not get the cooperation of either in the operation of it.

I do not know whether the conference will recommend legislation or not. If it does, it is that the most satisfactory piece of legislation on labor, from the point of view of everybody, was the railroad legislation. It was not prepared by the Congress; it was not prepared by the administration; it was prepared by the people themselves, who got together and agreed on what they wanted and what they needed; whether they needed legislation at all, and if so, what legislation they needed.

People say, "Well, the administration has not any labor program." They say that the Secretary of Labor has no program. Deliberately we tried to decline to commit ourselves to any proposal or program until after this conference was over. That is the reason I take the position that I do. I am sorry to have taken so much time, but I thought that you gentlemen might be interested in that.

MR. GOSSETT. You are to be commended for wanting to settle strikes and promote reconversion.

MR. LAFOLLETTE. What you have just said makes sense. There are a couple of things I would like to ask.

How many strike votes under the Smith-Connally Act, if you know, resulted in a decision not to strike?

SECRETARY SCHWELLENBACH. None. I never heard of one.

MR. LAFOLLETTE. So that when we talk about labor leaders not reflecting the opinion of their members, to some extent certainly the evidence of those strike votes is a contradiction that leaders lead people away from what they want to do, is that not so?

SECRETARY SCHWELLENBACH. Yes; I think that is true. It has been my opinion that the top leaders in labor are just as much disturbed about some of the strikes going on as anybody else.

Mr. LAFOLLETTE. It has been my experience, which is not as extensive as yours but a little extensive, that I would say the majority of labor leaders in America are more conservative in the sense of having a sound sense of contractual obligation that many of the rank-and-file members of the subordinate union leaders. Does that coincide with your opinion?

Secretary SCHWELLENBACH. Yes. My understanding is that at 11:30 night before last the leaders of the union here in town did not know about the meeting. They just found out about it at 11:30 and started at 1 o'clock in the morning.

Mr. LAFOLLETTE. So, when we make statements about the radical labor leaders, we make the general allegation contrary to the rather well-proven and evident facts; is that not your opinion?

Secretary SCHWELLENBACH. You generalized as a result of experience with a few. That is a difficult and troublesome thing.

Mr. LAFOLLETTE. And if there were to be a generality, a generalizing, you can more properly generalize to the contrary—that the leadership is much more concerned with contractual obligations and negotiations than many of its rank and file members, or its subordinate union leaders?

Secretary SCHWELLENBACH. I think that is true; yes.

Mr. LAFOLLETTE. Now, you speak about this legislation proposing an opportunity to the Congress, in cooperation with the Executive, to outline a legislative program calculated to stimulate the free-enterprise system to the highest possible degree without Federal expenditures; is that not the purpose of it?

Secretary SCHWELLENBACH. One of the purposes; yes.

Mr. LAFOLLETTE. And if Government policies on the matters covered—the fiscal policy, monopolies, and so forth—can possibly be enacted into law early in a session, private enterprise would then have a better understanding of Government policy under which to chart its course than under the present conditions; would it not?

Secretary SCHWELLENBACH. Yes.

Mr. LAFOLLETTE. When we speak of “unborn” industries coming from patents, there can be—in the absence of some possible overdue amendments to the patent laws—some withholding and monopolistic manipulation of patents which would hold back this employment as much as any possible practice by any man who works or his unions.

Secretary SCHWELLENBACH. There has been a considerable record of withholding patents, the use of patents.

Mr. LAFOLLETTE. So that part of the legislative program of any government seeking to make the free-enterprise system work as small business expands must be to break down the monopolistic conditions existing under the patent laws; is that correct?

Secretary SCHWELLENBACH. I have always so contended.

Mr. LAFOLLETTE. I have thought so, too. That is all.

Mr. RICH. Mr. Secretary, you are Secretary of the Labor Department, are you not?

Secretary SCHWELLENBACH. Yes.

Mr. RICH. The duties of the Secretary of Labor are to see that we have labor conditions in the country such as will be for the best interests of the Federal Government and the people in the Federal Government; is that not so?

Secretary SCHWELLENBACH. The basic act under which I operate says that it is the duty of the Secretary of Labor to promote and protect the welfare of the wage earners of the United States.

Mr. RICH. Protect and promote the welfare of the wage earners of the United States?

Secretary SCHWELLENBACH. Yes.

Mr. RICH. And we are here discussing the problem of jobs for all the people of the United States. Isn't it a fact that today we have more jobs than we have workers?

Secretary SCHWELLENBACH. We have many jobs for which there are no applicants.

Mr. RICH. Is it a fact that today we have a great many strikes in this country and people are not working?

Secretary SCHWELLENBACH. Yes.

Mr. RICH. Mr. Secretary, I am a manufacturer. Whenever anything happens in our plant and it shuts down, the first thing I am interested in is going out to that plant to see that things are running, that the men will have work, and we will be producing. I am more interested in that than in anything else. I get out of the office, put on my overalls and, if necessary, do anything possible to keep the plant in operation. It seems to me that today, with the conditions in the country as they are, with all the strikes that are going on, and with the necessity for getting reconversion into operation, it is more important for you to be down at the conference trying to settle these difficulties and differences between labor and management than it is to be up here trying to promote new jobs, and for that reason I will not use any more of your time, and give you the opportunity to go back there and get things rolling. Then, sometime in the future, I hope that I may have the pleasure of discussing this bill with you.

Secretary SCHWELLENBACH. I would like, Mr. Rich, to see all the strikes settled.

Mr. RICH. I am not going to take any more of your time, and I hope you can do that. I think that it is important we get the wheels turning and reconversion started, and then the country will prosper, because if we do not do that the country is going to suffer.

Secretary SCHWELLENBACH. Thank you very much.

The CHAIRMAN. Mr. Henry.

Mr. HENRY. Mr. Secretary, what percentage of the total labor force of America belongs to unions?

Secretary SCHWELLENBACH. They claim 14,000,000, and we had a labor force during the war of 53,000,000.

Mr. HENRY. Under the provisions of H.R. 2202, if we have a period of unemployment the Government will make expenditures and investments to create jobs; is that not correct?

Secretary SCHWELLENBACH. Yes.

Mr. HENRY. Now, of the jobs that are created, will nonunion employees be allowed to work on the Federal projects?

Secretary SCHWELLENBACH. They will not work for the Federal Government. These projects will be handled by private contractors.

Mr. HENRY. I understand that. They will be contracts with private individuals.

Secretary SCHWELLENBACH. Yes.

Mr. HENRY. Will the jobs created under this system be open to non-union members?

Secretary SCHWELLENBACH. It all depends upon whether or not the particular contractor is operating under a union or does not operate under a union.

Mr. HENRY. I have considerable fear with reference to the provisions of paragraph (e) on page 3 of the bill, and I am in quite agreement with Dr. Judd's fear, although I would not call it fear on my part, because I do not fear the wild promise under that paragraph because I know that we cannot keep it. The reason I do not like that paragraph is that I think it is a wild promise; and the Federal Government might not be able to keep it. What is your view on it?

Secretary SCHWELLENBACH. I think there is a reasonable belief that we can keep it. Certainly, there is necessity for the Government making a declaration of a recognition of its responsibility in the matter of employment if we are going to maintain our system. I do not entertain the fear that by making this promise we are going to destroy confidence.

Mr. HENRY. It is an unlimited pledge, is it not?

Secretary SCHWELLENBACH. It is an unlimited pledge to do what is provided in this bill; yes.

Mr. HENRY. As the bill promises to make Federal expenditures and investments to the extent that it may be necessary to supply full employment; is that not correct?

Secretary SCHWELLENBACH. That is the declaration of policy. It certainly is.

Mr. HENRY. Then that can be construed to mean that it is an unlimited pledge on the part of the Federal Government to make investments and expenditures to whatever extent may be necessary.

Secretary SCHWELLENBACH. In the manner that the bill provides; yes.

Mr. HENRY. Do you think that is good business on the part of the Federal Government to make such a promise?

Secretary SCHWELLENBACH. Yes. I am in favor of this bill.

Mr. HENRY. That is all.

The CHAIRMAN. Any further questions?

Thank you very much, Mr. Secretary.

The committee will stand in recess. We will have an executive session at 2 p. m.

(Whereupon, at 12 noon, the committee recessed.)

APPENDIX

OFFICE OF THE MAJORITY LEADER,
HOUSE OF REPRESENTATIVES,
Washington, D. C., September 20, 1945.

HON. CARTER MANASCO,
House Office Building, Washington, D. C.

DEAR CARTER: I am enclosing an interesting editorial on the full employment bill that appeared in the Boston Herald on August 27, 1945. While the Boston Herald is a very fine newspaper, from a political angle it is Republican. I thought this emphasized the value and importance of the editorial on the above bill. When hearings are held on the bill it might be well to insert this editorial as a part of the hearings.

With kind regards, I am
Sincerely,

JOHN W. MCCORMACK.

[From the Boston Herald, Monday, August 27, 1945]

FULL EMPLOYMENT

A notable feature of the discussion of the full employment bill is the absence of party politics. Democrats originated the measure and President Truman will ask for immediate passage of it, but various Democrats are opposed to it, and many Republicans are for it. If Dewey had been elected President, the situation would have been similar, perhaps, with Republicans taking the initiative and Democrats giving some assistance to it.

The underlying principle is obviously so unexceptionable that the differences of opinion have to do with ways and means, not with fundamentals. Everybody is so fearful of the far-reaching social, economic, and political effects of protracted mass unemployment that the partisan issues which would have bulked big 5 or 10 years ago have become almost negligible.

The nonpolitical approaches of Republicans and Democrats in and out of Congress are explained in part by the party platforms, the speeches of the candidates, the statements of practically all the Governors in 1944—including Leverett Saltonstall—and by State legislation designed to cushion the shock of unemployment. The Democratic platform speaks of full employment in the opening paragraphs. Governor Dewey said in his address of acceptance: "We Republicans are agreed that full employment should be a first objective of the national policy. By full employment I mean a real chance for every man and woman to earn a decent living. At a decent wage." Just as they had identical views of the Axis enemy abroad, the two parties saw the great post-war domestic problem eye to eye.

The moderation and steadiness of President Truman have tended to weaken opposition to a full employment measure. If President Roosevelt had survived, many Republicans and Democrats would have objected to any such measure, in the belief that it would be administered poorly by officials who had a zeal for reform, further centralization of authority and drastic control of private business. These persons have more confidence in Truman and his associates as administrators than they had in President Roosevelt and the other pronounced New Dealers. "Planning" is not such a terrifying term as it was when the New Dealers made the plans.

The pending bill has various provisions to which Republicans will object as Republicans. But the acceptance of the principle involved seems to point to the passing of legislation of some kind to check unemployment before it becomes so ominously large as to threaten another period of depression and ill-advised political innovations.

NEW YORK 17, N. Y., November 12, 1945.

HON. CARTER MANASCO,

*Chairman, Committee on Expenditures in the Executive Departments,
House of Representatives, Washington, D. C.*

MY DEAR CONGRESSMAN MANASCO: You were good enough to write me recently that you hoped to include my name among those called to testify before the members of your committee on the full employment bill.

When I saw that the committee had closed the hearings I revised the statement for submission in writing. It is herewith enclosed.

I hope that you will find time to examine this statement. It is based on 25 years of work in the employment field, including 7 years spent in following the effects of Government spending for Mr. Morgenthau.

The statement points out that the bill in its present form would mean an annual expenditure of 10 to 20 billions even in good years. It proposes as a substitute for the present bill that Congress establish a special investigating committee to bring out a complete study of the issues involved in full employment.

Sincerely yours,

EDNA LONIGAN.

STATEMENT ON THE FULL-EMPLOYMENT BILL, H. R. 2202, SEVENTY-NINTH CONGRESS,
FIRST SESSION

(By Edna Lonigan, economist, Brooklyn College, and formerly chief statistician, the New York State Department of Labor, and specialist in relief and employment for the Secretary of the Treasury)

The proposed full employment bill may be considered in three clear-cut parts. The first (secs. 1 and 2) contains expressions of sentiment in favor of full employment, small business, and the American home, to which everyone would gladly subscribe in principle. It would be helpful if all these objectives could be achieved by legislation. The question here is whether this bill assists in achieving them, or whether it may be a barrier to the expressed purpose of maintaining full employment.

the third part of the bill (secs. 5 and 6) contains specific, even minute, details, such as the provision that stenographic services shall not exceed 25 cents a page, or the exact way in which expenses are to be prorated between the two Houses of Congress.

The middle part, by contrast, is extremely vague. But this section contains the heart of the bill, and gives what information is given about the vast new powers that are granted by it.

This mid-section requires that the President shall submit annually a new kind of budget, so-called, with two new estimates, that are really new legal concepts. The first estimate is the labor force. The second is the amount of spending that the Executive thinks it is necessary to provide in order to create employment for all that labor force. By subtracting from the second item the volume of spending by private and local agencies that is expected in the coming year, the President arrives at the critical item, the gap between the expected volume of spending and that which the President thinks is necessary to employ the given labor force. This gap is given the name of the "deficiency in the national budget." The bill imposes on the Federal Government the responsibility of providing the extra expenditure that will be needed to close the gap. It puts on the President the duty to carry out a program of spending sufficient to make up whatever part of the deficiency he thinks private spending will not fill.

This program for mandatory Federal spending whenever there is a gap must be submitted to the Congress, and the Congress is obligated to report by a given date, but nothing is said of any further procedure, because none is necessary. The Executive has, at the present time, the powers necessary to proceed with such spending under its war funds and war powers. If Congress accepts the proposed national budget the Executive can go ahead. If Congress does not accept it, the President would still be obliged under the bill to proceed with the spending up to the limit of all other existing powers.

Passage of the present bill will put the program into effect without any further action by Congress.—Any limitations on the operation of the program ought to be included in the bill, rather than left to be inserted in the budget, because the duties imposed by the bill are mandatory.

This bill therefore gives to the Executive broad general powers to make policy on technical matters in terms which impose no limits whatever on Executive discretion in carrying out the bill. This bill is thus the newest and the largest of the lump-sum or general appropriations which have been granting to the Executive since 1933 virtually unlimited power over how Federal money is to be spent, and what it is to be spent for, on the assumption that social-economic problems are too technical to be defined in advance.

Actually there is no such difficulty in defining the objectives of social legislation, and no basis for the early hope that the Executive would have access to knowledge that Congress did not have. If the Congress is to regain control over the policies covered by this bill, and lay down the requirements of law according to which the money is to be spent, it must define the broad general phrases in which the power is delegated. Otherwise it will have to deal with all the problems (on a larger scale) which confronted it with WPA and other lump-sum appropriations.

How is the budget deficit estimated? Each of the items making up the national production and employment budget, and determining the size of the deficit, is a composite term, covering most important questions of policy. These items are nowhere defined.

The first and most important figure is the labor force. This determines the estimated total spending needed, and therefore the total of Federal spending. A great many people have pointed out the technical difficulties of preparing this estimate, as well as the other estimates, in the new budget. I will pass over the statistical difficulties with the statement that I subscribe to the criticism fully, and go on to certain administrative and policy issues.

There is nothing in the bill to limit or define who are to be included in the labor force, for each member of which the Federal Government is assuming the liability to provide a full-time job. The definition in section 2 (b) includes all Americans able to work and seeking work. It is nowhere restricted to those dependent on a wage job.

The labor force includes many people who are self-employed and not wage earners, and also many wage earners who are not dependent on wages for their full annual income. If Congress intended this bill to be limited to those regularly dependent on wages, that limitation will have to be inserted, or a much larger obligation will be binding.

In addition to including all workers, the bill says that these workers are all entitled to full-time employment. But a large number of independent workers, like farmers and workers in villages earn a full year's income without working a full year. They are working for themselves in their spare time. Under the bill as it now stands, the Government must count people who are able to work for part of the year, even if they have earned a full year's income and are engaged in productive work for themselves. The Government also guarantees to provide spare-time cash jobs for all these people if they want them, regardless of what their earnings may have been.

If Congress intended that this bill should provide work for wage earners who spend their full time in wage work and cannot get a job, it will need to add that qualification. Otherwise the President must include in the count of the labor force four or five classes of workers who are not fully dependent on wages, or not even in the habit of supporting themselves. Farmers whose crops are harvested in less than a 52-week year, and other self-employed persons, villagers, and workers in the open country who are partly self-employed, workers in seasonal industries whose wages are adjusted to an annual basis, peripheral workers, especially women who are half in, half out of the labor market, and marginal workers who cannot do a year's full-time productive work.

If all these people are included in the count of the labor force this figure would be higher by many millions than any of the estimates, and there would be a proportionate increase in the spending necessary to employ the full force, and likewise in the national deficit which determined the amount of mandatory spending by the Federal Government.

This is the same problem which plagued Congress in trying to make fair appropriations for WPA.—The relief acts did not define what was relief and who was eligible for relief. The act was originally designed to give Federal aid to workers dependent on wage work, who could not get jobs because of the world depression. As the number of unemployed workers declined, however, the FERA-WPA reached out into the twilight zone and drew in all kinds of people who worked full time and had low incomes by urban-industrial standards, or who regularly worked part time, or perhaps had never worked at all, like widows.

All these people were added to unemployment relief designed for industrial workers.

The Congress knew that the need for relief could not be mounting, but they not get full information on where the new recruits were coming from. In April 1933, at the depth of family suffering from the depression, there were 5½ million families receiving Federal aid, and the number was gradually declining. In 1939, when Congress finally cut down the funds, there were 7,000,000 families getting Federal aid. Expenditures had risen from a third of a billion in 1933 to almost \$3,000,000,000 in 1939.

It was drought relief and CWA that showed how any administration that had extra money could keep expanding the relief force by taking in border-line cases. This method was continued for 6 years. By it the relief agencies found means to replace all those who left relief rolls during the thirties and an additional million and a half above the total of depression years.

The same method will add many millions to the labor force. Well-meaning technicians can always find the needy cases.

Farmers would be drawn into the wage-earning class.—The concept of spare-time jobs for farmers is not new. Under WPA many farmers received and were glad to get road work or drainage work after the crops were in. The farmers had more money, but the village workers who had depended on these jobs were in turn unemployed, and the WPA then had to provide jobs for them. Economists of the United States Department of Agriculture were drawing up plans for spare-time work for farmers when the defense program started.

The National Resources Planning Board estimated that about over 400,000 farmers had been given wage work under the relief program. It adds: "In a large proportion of the cases it represents more money than he could ever realize from his farm operations. * * * The program has encouraged the farmer who barely ekes out a living from the soil * * * to desist from all farm operations and rely entirely on work program earnings." Since the WPA was financed by deficit spending this meant that the farmers on WPA were relying on borrowing from their neighbors, not a long-term cure for the difficulties of marginal farmers.

Independent proprietors in other fields, like recreation and seasonal hotel work, musicians, and others, would also be eligible. It is not possible to ignore their rights, because many such workers were drawn into governmental wage work as a result of the work programs of the thirties, and many of them did not find their way back to self-employment until the works program was withdrawn.

Seasonal wage workers in industry also have a claim to a secondary job.—Nearly all industrial wage work must be irregular. Irregularities are due to the seasons, as in cotton ginning or grain milling. Or they are due to weather, as in building or coal mining or clothing manufacture. Or to changes in fashion as in millinery. Irregularities in manufacturing are reflected in irregularities in railroads, trucking, trade.

The New York State Department of Labor has exact records of employment month by month back to 1913. There is hardly a single industry in which employment is not irregular because of natural conditions. When the Government promises full-time work it is promising that it can disregard the rhythm of agricultural and industrial production. Among irregular workers in industry and transportation there might be many millions who would prefer a regular job for 52 weeks in Government to the struggle for self-support even with the help of unemployment insurance. Under the present draft of the bill, the Government would be obliged to create jobs for all of them.

Village workers who now employ themselves in their spare time would be drawn into wage work.—Many village workers all over the Nation work for themselves when their wage work is finished. In northern Maine or in the Adirondack region of New York workers in the villages take wage jobs during the tourist season. When the tourists leave they build their own homes, cultivate their potatoes, cut wood, kill deer, and can their meat supply. They repair their own houses, barns, and cars. Sometimes the young men come to the large cities for wage work. When they return they may work for wages, work for themselves, or start a small business.

These people have never been dependent on an employer to organize their work for them. The people of the farms and villages have self-direction. They are the people from whom many of our independent producers have always been recruited. But under this act, if some of them decided that it was easier to take a year-round Government cash job, the Federal Government is obliged to provide it for them. All over the rural and village sections of this country, men who have always been half-enterprisers will be offered strong inducements to seek a job organized for them by the State.

The bill makes the standard rate the minimum rate.—If workers on the new program are to be paid the going rate for their occupation and locality, as required by the public contracts law, then anyone earning less than the standard rate will have a right and a strong inducement to go into the Government program.

If the standard rate for a large industrial city is made the going rate for surrounding areas where there are no industrial jobs, or if, as under WPA, the prevailing wages for industrial States are made the fair wage for nonindustrial States, then there will never be private jobs for large numbers of workers. Where in the past, the more energetic workers migrated to expanding areas, and so helped to raise the rate at home, they will now simply wait for public jobs in overcrowded sections.

People who are tired, aging, poorly trained, or who have other handicaps, are often taken care of by working a shorter season or for lower rates for a year's work. Many an apartment-house manager may be glad to have a carpenter whose pace is slow but sometimes cannot hire him at all, if he has to pay full standard wages.

Large numbers of people of less than top efficiency will be tempted to shift to governmentally supported work, although they are now taking care of themselves at the rate for their particular productive skill.

Women seasonal workers who return to home or farm after a brief period of wage work, are not dependent on full-time earnings. Women cannery workers in farm areas have a full-time job when the cannery season is over. At present the bill requires that the Government make a supplementary job for those who wish it unless their children are at home all day. All other women are likewise to be counted in the labor force if they wish a job, even if they never had a job before.

Likewise all other workers who are half in and half out of the labor market would be eligible for a spare-time job. Some of these people need relief and not a job. They would be better taken care of by a direct allowance, like so many of the women on the sewing projects of the WPA. The great creaking machinery of governmental job-making is set in motion to put these women into great barrack-like rooms under factory discipline, when what they really need is a little neighborhood assistance and friendliness.

The final question is the unemployed youth.—The National Resources report on security, work, and relief policies (which is the most detailed exposition of governmental plans for postwar employment) proposes that the Government find work for all young people who are not in work or at school, because the discipline will benefit them. Even in good times young people would thus be encouraged to seek sheltered employment instead of learning to find their way in a world of risk-taking. In hard times all young people would be organized into governmental work corps, regardless, says the report, of family income or the need for aid.

This is a program for the creation of a secondary labor force continuously dependent on Government funds.—Under the all-inclusive definition of the labor force, this bill cannot be considered as a program for cyclical spending in periods of business depression. It is rather a program for continuous Government spending by drawing into the governmental orbit millions of workers from all the classes partly in and partly out of the market for cash wages.

The Government would take off the labor market, or out of farms and homes, millions of workers who have free time or who would be glad to have more cash income. It would find itself with a binding legal obligation to make jobs for five to ten million workers year in and year out.

The program might start small, but its direction would be constantly upward. It would be extremely easy for propaganda agencies to organize any eligible group to demand that jobs be made for them. There never would be a time when the Government's responsibility would go down.

It is hard to set a limit on the numbers that might be eligible. There would be millions in each class, of women, farmers, seasonal workers, marginal workers, and others. Well-meaning technicians would always be able to find more people by drawing in new classes of marginal workers. As Jefferson said, few would die and none resign. The trend would be always upward.

What would be the cost of such a program?—The WPA used to quote the figure of \$1,000 per person per year, but the cost was much higher than that, if the overhead costs paid by other departments, like the Treasury, and by State and city governments, is included. The first million jobs would be the cheapest; as the numbers increased the average costs per job would rise. A per capita average of \$2,000 per worker is extremely conservative.

The program might begin with a billion or even a half billion of expenditures the first year, but it would rise rapidly to \$10,000,000,000 or \$20,000,000,000, without counting the effects of business recession. Year after year the total would go higher, by the simple device of counting more kinds of people in the labor force.

The workers would have no more real income.—Those workers who had shifted from low-paid jobs in production to higher-paid jobs under Government financing, would have more money but not more real income. Farmers who worked in winter would have more work but not more pay. Families where the wife had gone to work would have two wage earners instead of one, but the family would have the same real income as when only one member was employed. We know from all past experience that the countries where wives all have to work and farmers have no leisure are countries with low, not high, family incomes, because there is not enough investment per worker to provide them with efficient tools. This plan divides the available tools among many more workers.

The new Government spending would not be additional spending.—There are no 10 or 20 billions of idle savings lying about unused after 5 years of all-consuming war.

If the Government takes this money from people by taxation it will reduce their spending by the same amount. If it gets the money by deficit financing, as it must, the long-run effects on private spending will be slower but no less inexorable. At its best this program would make productive work by taking capital and employment from private hands. More likely it will make unproductive work that does not reproduce what it cost.

The bill cannot provide an increase in real investment or real spending; it is only a transfer of investment and spending from private to governmental control. The Federal Executive, if this bill passes, will be the principal investment banker in the Nation.

New enterprise will have been transferred to Government.—The transfer of so many billions of investment spending to Government would not only reduce the area of private spending but would add a new hazard to risk taking by private producers. The Federal Government would have a sum of many billions to spend anywhere it liked, at any time it chose. The ability of private producers to predict their risks would have been greatly reduced. No producer could predict his future income, his future prices or his future income with confidence. Political action would have become a new risk factor.

This would bear with special hardship on new ventures. But new firms and new men are the reproductive system of a free society. If new men cannot start new ventures, there is no growth. Free society dies.

The test of any proposal for employment is its effect on new firms and new men.—The effect of this bill would be to transfer the growth area of the economic system to Government. Whatever new ventures were started would be Government enterprise.

The Government would have full information on all the operations of private associations, profit and nonprofit. The provision in the bill (sec. 5d) permitting the subpoena of all the officers and papers of private concerns is not needed for the collection of statistical information. The State and Federal Governments have been collecting information about employment for over 20 years, and they have never needed such drastic powers. Unless these powers are needed to transfer information about operating to Government they are not needed. They constitute a potential threat to business, farmers, labor unions, and cooperatives. They also provide an instrument of possible punishment against any agency that refused to agree with Government proposals on matters where its dissenting judgment might be of great value to the public. The very survival of private and voluntary association is dependent on its ability to resist undue influence.

How will this spending be paid for?—The bill does not give the method by which the money is to be raised. That is not necessary. The Government has full authority to raise all of the money it would need, through its power to borrow money from the commercial banks. The Federal Executive can raise money for any expenditure from \$1,000,000,000 to \$50,000,000,000 or over, without any taxes, by the use of the powers which the Federal Executive now possesses, and has been exercising since 1933.

The bill makes deficit spending (Federal investment) mandatory as a "cure" for unemployment. Deficit spending cannot be a cure for unemployment, for the reason given above, that it takes away as much private spending as it adds governmental spending. The explanation must be sought elsewhere.

The full employment bill is designed to furnish a popular mandate for the continuance of deficit spending, before the war powers can be withdrawn.—Bills of this sort will continue to be introduced until Congress closes the back door to Government spending by revising the banking laws.

What kind of projects will be used?—Projects will be of two kinds, direct operation by Government of construction projects and services, as described in the reports of the National Resources Planning Board, and subsidies to private industries.

The Federal Executive might give private firms direct subsidies to continue operations when the regular season came to an end, as WPA gave the States and cities subsidies to continue or expand their regular governmental functions; or the Government might buy the products of industry, and work out new forms of stamp plan to dispose of the "surpluses" to a new class of underprivileged.

These powers are now all available to the President. They are not explicitly granted but left open by the use of words in the enabling acts that do not have precise and limited meanings. In 1933 when Congress wished to revive direct relief as an alternative to continued WPA spending, they put a provision in the law allotting about \$25,000,000 for direct relief. Congress apparently meant cash relief to families not on WPA. The WPA interpreted it as meaning relief in kind, and bought \$25,000,000 worth of clothing which it gave away to families on WPA. Loopholes in the war powers acts give the President general powers that he may use for any kind of manufacturing, sales, or other economic activity.

How will firms and industries be selected for subsidy?—If Congress wishes the purchase of these extra products to be carried on by competitive bidding, that will have to be made mandatory in the law. Otherwise the Jobs Administrator will be able to decide between firms and industries, as the WPA Administrator decided what States and cities were to receive allotments.

If competitive bidding is not established in the act, the Executive will probably be able under its war powers to buy without bidding. This will give it price-fixing powers. If the Federal Government buys the last 10 percent of output of a firm, that it could not otherwise sell, should it buy at regular or distress prices? It could also buy above the market as in the case of some agricultural products under CCC.

More difficult is the question of which industries should be given the new Government orders. That power is at present left solely to the Executive. Should the Jobs Administrator spend his money to buy clothing or shoes? cotton goods for families or machinery for loans to our allies? Such questions would be of vital importance to the clothing industry of New York or the shoe industry of St. Louis, to the cotton farmers of the South or the machinery manufacturers of the Middle West.

The Government subsidy might be the difference between profits and bankruptcy. If one firm accepted the subsidy the others would have to follow or go out of competition. Industry and agriculture would thus be in the position of holding out their tin cup to Government for enough to keep them going. Firms would compete with one another in political skill, not in economic productivity.

By this method, Government would control the profit margin of the economy. Private producers would be responsible for earning operating costs but the Government would assign the profits. This would give Government control over economic life without the responsibilities of having to succeed at operating.

Such a system of governmental subsidies would obviously operate to the advantage of existing firms, since subsidies would not often be given to start new ventures. It would therefore give monopolistic advantage to the firms now in business. Veterans, other young men and those planning to leave their jobs to start their own businesses, would be at the greatest disadvantage.

What additional powers would the President need?—The bill states in section 8 that it does not empower the President to operate productive facilities or carry out any appropriations not hitherto authorized by Congress. The section is meaningless and possibly misleading. The Congress has already authorized the President to carry on any manufacturing, processing, and trading operations that he designates, under the domestic clauses of the Lend-Lease Act. It has given him blanket powers to use appropriations in any way that he wishes. These war powers have not been repealed, and some of them continue for a substantial period after the date which Congress may set as the end of the war.

The President, for example, could with his present powers buy all the equipment needed for the armed forces, or for loans to our allies. These purchases could be made, to carry out the full-employment bill, without the necessity for any reference to such powers in the new bill.

The President needs no additional powers to begin this program at once; passage of the act and submission of a "budget" would set the spending in motion. The bill nowhere requires that Congress approve the "budget." The role assigned to Congress in this bill is that usually assigned to the Congress in the new political system called "administrative democracy." Measures are submitted to Congress, and Congress registers its assent.

The full-employment bill is simple, like an extension cord. The extension cord is plugged into the socket and draws on all the power of the distant powerhouse. This bill is an electric cord plugged into the vast powerhouse of the war powers.

This bill is really a grant of legislative powers.—Actually this bill sets up a device that has the form of an executive budget but is really legislation. The power to give subsidies, to decide which industries are to receive them, and for what benefits in return, is legislative power; likewise the power mentioned above to set minimum wage standards, the power of price-fixing that would inevitably be employed. The Executive would have the power to determine the flow of income to various States and regions. This would be on a larger scale the problem of allotments between States that caused so much trouble in WPA grants.

The Jobs Administrator would also have power, as did WPA, to make grants to Federal departments and agencies; Federal bureaus would come to look to the Jobs Administrator rather than to Congress for those extra, unrestricted funds, through which they could carry on their most interesting programs. The Public Health Service could start a Nation-wide health program without any authorization from Congress; or TVA could use its direct appropriation to keep strictly within the limits prescribed by Congress, and at the same time use large funds from the Jobs Administrator to engage in many other lines of work, including direct manufacturing, and the building up of an industrial empire under Federal control, as it did in the case of the atomic bomb, without any record being necessary to make the operations known to Congress or the public.

Congress could not check this spending by any normal means of investigation. It would have all the difficulties it had with relief spending or BEA grants to South America, but on a larger scale. It could not check who should be in the labor force, just as it could not check who needed Federal relief. It could not check allotments to different industries like those to different States and cities. It could not watch all prices or price agreements. It could not trace the effect of each decision on the labor market and on wage scales.

If by any chance any of these powers should be used for political purposes, Congress would see what was going on, but it would have great difficulty persuading the public of what it knew.

These spending powers could even be used to oppose in their own districts Members of Congress who opposed or criticized the spending program. Congress would have no means of defending its Members against attack for doing their duty.

This bill is also a grant of appropriating power to the Executive.—Grants and allotments for subsidies are appropriations. This bill would transfer the power of appropriation to the President and the Jobs Administrator, just as the WPA law transferred to the President and the WPA Administrator power to make appropriations to States and cities and other Federal departments. The total of appropriations would be decided by the indirect device of a new "budget."

The "budget" type of appropriation bill is in no way an improvement over the present form of making appropriations, and it has the serious disadvantage that it gives very great unsupervised power to the experts in the service of the Executive in comparison with the expert advisers of either Congress or the general public. Also the "budget" form might be used for propaganda to stimulate quick acceptance of the totals without full examination of the parts.

The bill provides for a new joint committee of both Houses to consider the new budget recommendations. Since the budget is an appropriation bill this provision is apparently unconstitutional. Any recommendation that included spending would have to be referred to the Appropriations Committee of the House, unless a change in the Constitution is intended.

The bill thus means the perpetuation of the "war economy" into peacetime.—In the "war economy" the Executive has control of the free investable reserves of the Nation, and controls agricultural and industrial production and employment through Government orders. The more drastic powers usually associated with the war economy are really not essential.

Governments discovered during the unemployment crisis of the thirties that if they provided work for the unemployed, they would have control of great economic resources. It is obvious that if they provided work also for the twilight zone, the people who were part wage earners and part not, they would have much larger resources and correspondingly greater power over the rest of the economy.

The advantage of the full employment law is not that its powers are essential, but that it offers an excellent symbol about which to reeducate the public mind to the apparent need for continued spending. Even a small appropriation would familiarize the public with the idea of a "national deficit" and many forces would soon be set in motion to urge greater expenditures. The publicity would be much greater than that for the WPA or passage of the full employment bill.

This is only one of many possible entries for the permanent war economy. The bill for "stabilizing" the construction industry is of the same pattern, and there are many others. Once governmental deficit spending is linked with peacetime objectives, the spending can go on and on. More and more capital will be drawn under Government control; more and more independent farm and village and craft workers will be taught to look to the Government for a job.

Revival of the peace economy cannot be established by any simple "budget." The peace economy is one in which the citizens keep their resources, and do their own planning. Uniformity is not imposed, and so people can go in many directions, and start many new and different ventures; and the whole people gets the benefit of a wide range of free experiments. New ventures create new production and new employment. Production, consumption, and employment remain free.

What is needed in place of a budget strait-jacket that forces all remedial measures into the one channel of Government spending, is a bill for a wide-open study by Congress of the real forces underlying high employment. Full employment is not a single indicator that can be found by simple subtraction from other indicators. It is, like health, a composite of many forces.

Such a study was proposed in an editorial in the New York Times of November 9, 1945. The editorial said, "It would probably be wiser to call this a Commission on Full Employment and Production than a Commission on Full Employment alone," because "the policies that are necessary to assure full employment in a genuinely free society are the same policies that would assure a stable and expanding economy and the maximum possible production."

The Times suggests a congressionally appointed commission of economists. Another possibility is the familiar Congressional commission of inquiry, with an advisory board of economists to assist it. The congressional or parliamentary commission of inquiry is one of the most successful instruments of democratic government. It gives Congress a sound basis for legislation on new or highly technical subjects, it enables the experts representing the citizens to have as much influence as those representing the executive, and it is also an instrument of public education, by which the public can distinguish between remedies which will work and those which are only "pie in the sky hie and bye".

The editorial suggests further, that Congress should instruct the Commission to recommend those policies that would "insure the maximum of production and full employment, under a system of private enterprise and economic liberty, and without resort to inflation. Such a committee should be free to state not only what new laws might be necessary to put its recommended policies into effect, but also what old laws might have to be amended or repealed to make these economic policies effective".

An adequate study of full employment should include a study of—

1. Our real investable reserves, that is, the sum of all tools and equipment we can provide for work.
2. The total share of our production promised to foreign nations, and the returns our producers will receive in repayment
3. The share of the national income taken from the citizens by government either through taxes or deficit financing.
4. The relative production achieved by private industry and government in the use of resources.
5. The best means of encouraging new private firms and new ventures.
6. The production levels possible for our 35,000,000 families with these resources and organization.
7. The total working population, with its various skills (including farmers, self-employed and "job makers").
8. The number of workers required for our possible production.
9. The fair division of needed jobs among work seekers, since we have made such great industrial progress that we no longer have to employ children and married women as less-advanced nations do.

10. The fair division of leisure, as in rising school age for children, retirement pensions, shorter hours, etc.

11. The price system as a mechanism for prompt and widespread distribution of goods.

This Commission might recommend to Congress the form in which Congress could make annual reports to the citizens (through the appropriate committees) showing how the legislative program for the year was designed to achieve the highest possible production and a fair division of the work that was necessary to maintain that production.

The free economy needs only a few well-designed "rules of the game" to function at its highest productivity. Congress has hewed to the line of its constitutional duty in trying to provide a favorable climate for free and voluntary organization of work. It lacks only a means for reporting to the people how its separate decisions on taxes and other matters fit together to strengthen high production and full employment in a free society.

ATLANTA, GA., September 24, 1945.

HON. CARTER MANASCO,

House Office Building:

Regret impossible to appear as witness full employment bill hearing. However, I stand unequivocally in support of any measure that will bring about full employment. If the democratic form of government and the American way of life are to continue our people must have jobs. Government should encourage business to provide employment by actually giving business an opportunity to do the job, but if business fails or cannot provide employment for our people, the Government must. Whatever is required must be done. I have confidence in congressional leadership, to see that proper measures are enacted, first, to give business a chance to provide employment for those who desire to work and, second, to set up the machinery for the Government to give employment to those who are not absorbed in gainful employment provided by business. Regards.

ELLIS ARNALL, Governor.

BUFFALO CHAMBER OF COMMERCE,

Buffalo 2, N. Y., October 26, 1945.

The Honorable CARTER MANASCO,

*Chairman, Committee on Expenditures in the Executive Departments,
House Office Building, Washington, D. C.*

DEAR MR. MANASCO: The Buffalo Chamber of Commerce has given much time and thought to the full employment bill (S. 390) which was introduced last January. As a result of this study, we have come to certain definite conclusions which we are listing below for your information:

1. Full employment is a most desirable goal and warrants the greatest possible attention of management, labor, and the Federal Government through the medium of a representative commission established to secure and study all facts and figures relative to the problem. (The production demand and necessarily, the demand for workers, is greater now than at any previous period. Consequently, there is ample time for a scientific, scholarly approach to the subject.)

2. The relief of mass unemployment would be a most practicable step toward full employment.

3. No program to provide for full employment or to prevent mass unemployment can be successful with continuous labor troubles such as strikes, lock-outs, misunderstandings, dissatisfaction, and unfair trade and labor practices.

4. Private enterprise should be encouraged by the Federal Government to supply the labor force with more opportunities for employment through such means as:

(a) Revision of the corporate tax structure to enable commerce and industry to plan ahead and to operate on a profitable basis.

(b) Removal of some further governmental controls and restrictions now hampering business.

(c) Creation of legislation to prevent the causes of labor unrest.

5. Huge Federal expenditures do not necessarily create conditions that eliminate unemployment. This was evidenced in the 1930's. War expenditures, mostly for expendable items, did create a situation of near full employment but such spending could not continue without the assessment of confiscatory taxes and the impairment of the national credit.

6. Advance estimates of employment opportunities and the labor supply should be made in any event, even though the experience of large business corporations and the Federal budget have shown these estimates to be most inaccurate. A Federal spending program, however, should not be based on such questionable figures.

7. The proper timing of necessary Federal public works projects to coincide with slack periods in private industry is commendable.

8. The plan for full employment as stated in the bill (S. 380), in our opinion could not be successfully executed unless the Central Government had full authority as to the control of prices, regulation of both Federal and private investments, location and production of plants, and the mandatory moving of the labor supply from one location to another. Such procedure would tend to eliminate rather than promote free enterprise.

9. Economic recessions in this country always have been followed by periods of prosperity, with the standard-of-living curve progressively advancing to higher and higher levels. This envious position of the people of the United States has been attained without resort to regimentation, and until recent years, without excessive governmental expenditures.

We ask that you give your usual careful consideration to our views contained in this statement and that you keep them in mind when the bill comes up for further action.

Sincerely yours,

DANIEL W. STREETER, *President.*

CHICAGO, ILL., October 30, 1945.

Hon. CARTER MANASCO,

Chairman of Committee on Expenditures,

House of Representatives, Washington, D. C.:

As businessmen, we believe the Murray full-employment bill is urgently needed as a first step in creating the conditions which are essential to an expanding economy. The first requirement for an expanding economy is confidence, which must be shared by business and workers. Business and workers must be fully confident that common national problems will have the continued and watchful attention of the executive and legislative branches of the National Government. The passage of the Murray bill will mean the beginning of the orderly collection of economic data with which Congress should be provided in order to take appropriate simultaneous action on the many fronts which our complex economy may need. We endorse and urge that Congress accept the principle that the chance for reasonably regular and well-paid employment for every able and available worker, at work suited to his capacities, is a result which government and business should guarantee through cooperative and compensatory action. As businessmen we believe that the passage of the Murray bill will improve business chances for maintaining a mass consumption market which is the best prospect business can have. With this prospect, businessmen can plan and carry out programs of mass production, development of new products and methods, and initiate other measures appropriate to an expanding economy. American business faces the creation of tremendous surpluses in the stocks of good which can be produced with our expanded productive resources. Such surpluses, whether agricultural or industrial, can be moved only if workers are fully employed and earning sufficient wages to purchase the final products. The Murray bill emphasizes the role of private enterprise in providing the bulk of job opportunities. It fosters and warrants the continued investment of private capital in business ventures. The New Council of American Business wishes to go on record in favor of this bill as the most important service it can render American business and all American life at this time.

THE NEW COUNCIL OF AMERICAN BUSINESS,
WESLEY SHARER, *Executive Vice President.*

STATEMENT OF DONALD HENDERSON, PRESIDENT, FOOD, TOBACCO, AGRICULTURAL AND ALLIED WORKERS UNION OF AMERICA, CIO, IN SUPPORT OF S. 380 AND H. R. 2202, BEFORE THE SENATE BANKING AND CURRENCY COMMITTEE AND HOUSE EXPENDITURES IN THE EXECUTIVE DEPARTMENTS COMMITTEE, AUGUST 29, 1945

President Truman said, when war with Japan came to an end, "This Nation faces a crisis as great as that which faced us on December 7, 1941." Big business, which bears the responsibility for this situation because of its failure to plan for an adequate, orderly reconversion with the end of hostilities,

has started wage cuts and lay-offs which will result in mass unemployment. Unless Congress acts immediately to consult with labor and enact legislation which will provide a program to prevent the complete break-down of our economy, Congress will bear the responsibility, along with big business, for a depression which will cause untold misery to the American people.

The Food, Tobacco, Agricultural and Allied Workers Union of America, CIO, representing some 80,000 workers under contract in the food, fiber, and tobacco processing industries, realizes that its members are, in a sense, more fortunate than some of their fellow workers in other industries. They do not face immediate lay-offs. But mass unemployment in other industries will soon have its effect on them, for full employment in their industries depends on a solid basis of full employment and full production in all industries.

We insist, therefore, that in view of the failure of big business to take steps, Congress recognize the validity of labor's claims and pass acts which will insure us, in peace, the things we fought for in war. We support the measure before you, S. 380 and H. R. 2202, which is one step in planning for a future in which every man has a right to a job at good wages.

PAST LEGISLATIVE INADEQUACIES

All during the war, in spite of all appeals, Congress has been enacting legislation which not only was wholly inadequate in planning for full employment after the war, but, on the contrary, protected big business at the expense of labor.

The Revenue Act of 1942 made plans for refunding 10 percent of corporations' excess-profits tax. This was done ostensibly to provide funds for reconversion and expansion, but in reality such unprecedented profits were made during these war years that corporations have funds on hand to finance their own reconversion and expansion program. They have a working capital of 63 percent above the 1939 level.

A weakened Economic Stabilization Act was passed in spite of the statement of the late President Roosevelt that in order for such a program to work at all a seven-point program had to operate in its entirety. Instead, only wage control was selected for real policing. As a result, the workers have suffered substantial cuts in real wages while profits soared to unprecedented levels.

Congress repealed the \$25,000 limitation on salaries in 1943, again expanding the gap between controls of large and small incomes.

In 1944 Congress overrode the President's veto on the tax measure, giving further relief from taxation to big corporations and wealthy individuals and increasing the burden on the workers in low-income groups.

Nothing was done by Congress to plan a sorely needed program of public building which would have given employment to people displaced with the end of the war. No plan of unemployment compensation was even considered by Congress. These problems of reconversion should have been faced at least 2 years ago, and surely should be put into effect immediately in this period.

FULL EMPLOYMENT AS BASIS FOR PEACETIME PROSPERITY

Who are the people who want unemployment with all the attendant misery which it entails? Certainly not the workers. They know the need for employment to get the necessities of life. They know that they must eat and sleep and be clothed.

It is big business which wants a floating reserve of unemployed, to eliminate the need to pay a living wage. Corporations want increased profits and hope to break down the democratic structure of America by denying labor its rights.

This reasoning on the part of the corporations is extremely short-sighted. There is a direct ratio between purchasing power and profits which in turn is governed by full employment. During the depression it is estimated that sales lost through unemployment totaled \$355,000,000,000. Even disregarding the suffering of people during this time, corporations should recognize the hard fact that with roughly 64,000,000 people employed during the war, their profits were actually higher than ever before. Consumption must be kept high in order to maintain maximum production. Adequate purchasing power is the only means of maintaining consumption and employment, and that can be possible only through full employment. Such simple economics must be clear to all of us.

Here are some figures from the 1940 United States census of some industries covered by our union, which bear out the relationship between employment and profits:

IN 1939

Industry	Total labor force	Unemployed in 1939	Percent	Less than 6-months' employment	Percent
Agriculture (including agricultural processing workers).....	2,388,405	72,007	3.01	372,870	15.6
Food (excluding bakery, beverage, and meat products).....	512,822	15,569	3.3	66,671	13.0
Tobacco.....	121,396	4,707	3.8	12,765	10.5

If we take the period of 1936-39 as a base, bearing in mind that during 1939 up to almost 20 percent of the labor force available in the above industries was half unemployed during that year; in 1943, with full employment generally, profits rose to 223 percent above the base in the food industry and 26 percent above the base in the tobacco industry. In agriculture, using the prices of 1909-14 as a base, prices received for products in August of this year averaged 204 percent above the base.

NATIONAL HEALTH AND WELFARE

The health and welfare of the Nation are affected in a very concrete way by full employment. Full employment will make it possible to provide adequate food and housing which are essential to people's health and welfare. Operation of the Selective Service Act showed up the shockingly poor health of the young men of this country when they were called for induction. What percentage of this condition can be laid to poor nutrition and housing is not clear-cut in the records of the doctors who examined them, but later statistics showing weight changes and weight distribution of inductees when they were given three square meals, many of them for the first time in their lives, is an indication that good health is possible only when people have enough of the right things to eat.

During the period of full employment during the war that even low-income families were able to change their food habits somewhat for the better is shown in a survey made by the Bureau of Labor Statistics of the Department of Labor, published in the Monthly Labor Review of June 1945.

It is not fitting that improvement in national health and welfare is possible only when we are at war. What was possible during that period should be doubly possible in peace. We must have the freedom from want which we fought for during the war.

FEDERAL RESPONSIBILITY

The full employment bill would not guarantee full employment. It would, however, set up machinery to plan for it by establishing the responsibility of the Federal Government for the welfare of the Nation and making it possible for Congress to pass yearly appropriations or legislation affecting industry, labor, agriculture, foreign trade, taxes, social security, housing, health, education, etc. It is not a sufficient postwar economic program by itself. Even after passage of this measure, Congress has the great responsibility of setting into motion plans to build and bring about a high national standard of living. These plans cannot be ones which merely make up a deficiency in employment demands by setting up a \$55 a month WPA sort of thing; they must create goals which require full employment.

One-third of our agricultural workers were on relief in the fourth richest agricultural county in the United States during the winters of 1936-38, according to Carey McWilliams, in *Ill Fares the Land*. Congress will be avoiding its duty to them if the only plan it can set up is an emergency work-project type of thing. Since technological advances have made it possible for 10 percent of our farms to produce 54 percent of our food needs, we cannot just give farm workers emergency work or relief to tide them over until they are reabsorbed. We must use this reservoir of labor to go forward, and not just keep them occupied in maintaining the status quo. A dole system will not last forever. Men have the

right to work, and "It is the worthy object of any good government to give to the laborer the full product of his labor, or as nearly as possible."—Abraham Lincoln.

We insist that Congress accept its responsibility now and take one step toward providing all Americans with useful, remunerative, regular, and full-time employment by enactment of S. 380 and H. R. 2202.

STATEMENT OF THE AMERICAN LEGION ON H. R. 2202

The prime responsibility of the national employment committee of the American Legion is, and will continue to be, the employment of veterans. It is our duty to make certain that every veteran receives the special treatment and special consideration necessary to restore him to a full competitive position in our economic life; that no veteran shall be penalized in employment and opportunity because of the time spent in the service nor by reason of war-incurred experiences or handicaps.

The American Legion has always believed, however, in its ability to find jobs for veterans in direct proportion to the total number of jobs available. The experiences of the depression strengthened that belief. Only by promoting maximum employment for all can the Legion insure the maximum job opportunities for veterans.

Therefore, the national employment committee has sought:

1. To promote that level of production and distribution which will provide sufficient job opportunities and a high standard of living for all Americans; and
2. To make certain that the special treatment and considerations are provided which will enable every veteran to enjoy those opportunities and that high standard of living.

The committee is actively engaged in strengthening and extending within proper channels of veterans' preference. It is alert to see that veterans' preference is fully exercised in harmony with the spirit as well as the letter of the law.

The committee has invited and instituted programs of legislative action and voluntary cooperation to this end. Various organizations, including the Congress, trade associations, and labor groups, have adopted or are considering resolutions declaring it to be a matter of public, organizational, or business policy that veterans should be given preference in employment, at least to the extent of giving time spent in service equal seniority credit with equivalent time spent in private employment.

Education and retraining opportunities have been provided, and others have been recommended. Certain specific employment rights have been set up in private contracts, and others have been established by law.

But whatever consideration may be accorded him the solution of the veteran's employment problem depends on the existence of job opportunities. And the promotion of such opportunities must be a major function of the committee.

THE BROADER INTERESTS OF THE LEGION

Maximum job opportunities are of basic importance to every purpose and activity of the American Legion.

Rehabilitation fits a veteran for the resumption of a full share in our social, political, and economic life; but it is useless to fit a man for work if there is no choice of jobs at which to work.

Americanism is more than patriotic forms and patriotic favor. It means the preservation of the free society in which to live. It means freedom of choice and opportunity. It cannot be attained by denying a man a job, nor by freezing him in a job by custom, law, or circumstances, any more than it can be attained by any other form of slavery.

Preservation of the Constitution demands the preservation of our free individual competitive enterprise. That means the minimum of Government regulations consistent with the public interest; and the minimum of Government in business consistent with the basic public need.

Clearly job opportunities must be promoted to the greatest possible extent, and within the fields of free private enterprise.

AMERICA'S CAPACITY TO PRODUCE

The war has demonstrated the almost unlimited extent of America's capacity to produce.

In spite of wartime regulations and restrictions, the actual volume of production has exceeded anything ever achieved or dreamed of in the past. American enterprise has demonstrated that, free from such hampering restrictions and regulations, it can provide a level of employment and a standard of living far above that set in any of the artificially created "goals" which have been established by planners, public and private.

By "high level of employment" we mean that level of job opportunity which will permit the individual to satisfy his wants and needs to the full extent of his willingness to work. It implies a freedom of exchange which will permit him to receive full return for the service he performs; and a freedom of choice and opportunities which will give him a reasonable chance to use his skills and abilities, his training, and his tastes to the maximum extent.

Such a high level of employment will stem from productivity. The wants and needs of the people cannot be satisfied by deferred production; and production cannot be permitted the lag while grandiose schemes are developing to "create" purchasing power.

Our program for maximum employment is aimed at the direct stimulation of a level of production and distribution so high that it will command and maintain the consistent purchasing power resulting from man's willingness, ability, and opportunity to work. The Legion's program goes direct to the heart of the sales, distribution, and production chain in preference to more roundabout and fanciful proposals for stimulating purchasing power. We reject pump priming, fiat money, and other fiscal devices for subsidizing consumption and bolstering purchasing power. Unwise fiscal policies will deter, rather than encourage, the development of a high level of production.

We recognize the necessity of distributing opportunity fairly and widely. We support those principles of fair exchange which permit equal returns to those who pursue their opportunities with equal merit and ability. We reject any device or practice which tends to limit productivity, and we reject any thought of an economy of scarcity.

Only through free development of the productive capacity of America, through an adequate program of sales, service, and distribution, can we bring about that high level of employment which will afford real job choice and job opportunity. Our problem is to find the means of mobilizing this potential productive capacity in peacetime for our continuously increasing service to each other.

The American Legion program for maximum employment has pointed the way to achieve this. Since the publication of that program, the American Legion's national employment conference in Washington, D. C., April 5 and 6, 1945, and regional employment conferences sponsored by the Legion in every section of the country, have supplemented and implemented the program for maximum employment.

As a result of presentations made, and the discussions engaged in by labor, industry, Government, agriculture, educational leaders, and members of the Legion's employment committee at those conferences, the committee now makes certain recommendations which it believes the American Legion should embrace as principle fundamental to our concept of full employment and to a level and type of productivity which will satisfy the needs and wants of our people.

Some of these principles may readily be accepted as guides in determining our day-by-day course and as criteria in making our day-by-day decisions. Others call for careful research to discover the existing factors which interfere with their effective operation, and study to develop the procedures which will implement them. Some of these principles follow:

1. The prime objective in any occupation must be high levels of production and distribution within the framework of our free competitive private enterprise, with full and efficient utilization of raw materials and productive and distributive facilities.

2. The solution to the historical unbalance between agriculture and industry must be found by developing in industrial pursuits and urban areas the principle of full production and flexibility in price which result in full demand for, and consumption of, agriculture products. Only in that way may a proportionate relationship be maintained between agriculture and industrial prices. There is no prosperity in city or farm through limited production.

(a) Production must be as sensitive as possible to the needs and the wants of the people, both urban and rural. To this end selling, advertising, and distribution practices must be improved to develop the widest possible markets, and to offer the greatest possible freedom of choice to producer and to consumer. Market research and kindred techniques must be expanded, both to stimulate public demand and purchasing power, and to reflect and interpret that demand and purchasing power to the producer, so that production and consumption may be brought into increasingly closer relationship. Prices and production must not be made to bear the price-depressing burden of accumulations and rates of production not related to expressed public wants and needs.

(b) The so-called service industries must be extended and expanded. The use of new modern equipment must not be retarded by lack of facilities for its maintenance and repair. The use of new goods must not be retarded by lack of adequate distributive facilities, and the use of perishables must not be retarded by restricted availability. Finance, transportation, and all other aspects of this field must be geared to the calculated needs and possibilities of production and consumption, from the grass roots up.

(c) The growth of monopolies and trade barriers must be resisted. Existing monopolies and trade barriers must be identified, reduced, or eliminated. Since distribution is the major problem in attaining full production and employment, distribution facilities must be unimpeded, and distribution costs must not be burdened with expenses which do not contribute proportionately to the distributive function. Free flow of foods and services, as well as free opportunity to develop production and distributive functions, are essential.

(d) Production and merchandising costs must be continually reduced as experience and technological progress permit greater efficiency, and these reductions must be passed along in the form of lower prices and higher wage levels as a stimulus to increasing utilization of the goods and services.

3. Each tax policy must be examined for its effect on productivity and employment. The "power to tax is the power to destroy," and each tax imposed must be designed to give the maximum encouragement to production and expansion of business. Taxes must be made to serve the people, not to restrict them; and the basic purpose and effect of all taxes must be kept under constant scrutiny.

(a) Risk capital must be encouraged. Going businesses must not be restricted, new enterprise must not be discouraged by the existing or anticipated tax burdens. Tax requirements must not force the transfer of business ownership from an independent status into consolidation or monopoly, or into the hands of new and untried management, nor must the tax burden be so great as to force business to abandon initiative and the development of new enterprises to governmental agencies.

(b) Tax policy should be studied and projected for longer periods into the future so that they can remain relatively stable and can be anticipated and planned for by business. Budget balancing, deficit financing, and debt retirement should be based on long-time trends, and should be considered in relation to their over-all effects on production, distribution, and employment over the long pull.

4. Employment policies, including wages and hours, should be designed to provide the maximum stability of employment and income from the worker, coupled with the highest degree of continuing productivity by the maximum number of people who can be continuously employed, provided only that monopolistic exclusions are not practiced.

(c) Prohibition of overtime pay during a peak period of seasonal activities would restrict an individual's productivity and income to the extent that slack weeks occurred in that season. Overtime penalties, therefore, should be imposed on the basis of the time worked by the individual in excess of the total normal time for the appropriate seasonal period.

(b) Wages and profits must assure an efficient distribution of labor and capital between city and country. Wages in general, and even within a given industry, should be flexible enough to maintain this balance. However, wage policies should be designated to yield the worker the highest share in the American way of life and prosperity not inconsistent with expanding production and a properly corresponding decrease in unit cost. To this end, employers should relate total wage disbursements to the earning power of business, and collective bargaining should have to do with labor's share in the earning power of the business rather than with cents per hour.

(c) Since stability of employment and income, for the worker, and continuity of production are desired, labor and management and Government should study and pursue the techniques and devices by which work can be average out over

reasonable periods by offsetting production peaks. Fluctuations and interruptions in production and employment should be avoided and work and income of employees should be made as nearly constant as possible, so that the worker, too, may more closely forecast his income and budget his expenditures. It must be remembered that wages and employment can be guaranteed only by the ability of management to produce, and the willingness of workers to work, and for that reason discussions of such things as a guaranteed annual wage should be approached with caution. Averaging out of production, constancy of production, wages and employment must be made economically profitable for employer and employee alike, while preserving full flexibility and freedom of choice for both.

5. Government should restrict itself to rendering those services for which adequate provision cannot be made by private initiative. The Federal Government should not attempt what the State can do: The State should not undertake what municipalities can do, and no governmental functions should invade the proper fields in which the individual or organized groups can operate effectively and efficiently.

(a) When a service must be rendered by a local, State, or Federal Government on behalf of an identifiable segment of business or industry, the cost of that service should be assessed against the beneficiaries whenever it is feasible to do so.

(b) When a public responsibility can be assigned to an identifiable business or industrial individual or group, the cost resulting from the business failure to fulfill the responsibility should be assessed against the offenders rather than become a part of the general tax burden.

(c) The field of Government restrictions and standards imposed upon business must be approached with the utmost caution. Substitution of Government standards and grade labels for accepted American brand names would discourage production, discount initiative and business expansion, restrict distribution, and ultimately stifle free competitive enterprise. Application of Government standards, as in the case of the pure food and drug acts, should be closely regulated by law, and a minimum of discretionary power placed in the hands of administrative agencies. Rights of individuals and organizations should be protected, and the means provided for them to enforce their rights and recover any losses from undue governmental regulation through the regular processes of judicial system. The American Legion believes in government by law not government by men.

It is the belief of the national employment committee that close adherence to these principles will bring a major contribution to the establishment of a maximum level of production and employment.

It is our belief, too, that implementing the Legion's program for maximum employment and the Legion's program for veteran's employment, they will go far to assure every veteran a full share in American prosperity, American economic opportunity, and American freedom.

NATIONAL COUNCIL OF JEWISH WOMEN, NEW YORK, N. Y.

FULL EMPLOYMENT BILL—TESTIMONY OF THE NATIONAL COUNCIL OF JEWISH WOMEN ON H. R. 2202 BEFORE THE HOUSE COMMITTEE ON EXPENDITURES IN EXECUTIVE DEPARTMENTS

The 65,000 members of the National Council of Jewish Women, believing that true peace can come only with prosperity, urge passage of the full-employment bill, H. R. 2202, as a step toward the establishment of that prosperity. We ask this committee to report the bill without limiting amendments.

The experience of the war years illustrated the soundness of governmental planning to accomplish victory. The training of our armies and our tremendous output of military supplies were the result of foresight and planning by government, industry, and labor. The members of the National Council of Jewish Women believe that they express an opinion held by all Americans when they state that the task of eliminating depressions and establishing prosperity should command that same wisdom and foresight.

We cannot afford to leave the accomplishment of full employment and high production to chance. The legislators who drafted H. R. 2202 recognized that. The provisions of this bill place responsibility for sustained full production and employment in the hands of the only agency that can accomplish it, the Federal Government.

This bill commits the Federal Government to a study of our economy and to the preparation of a coordinated program of activity by its various agencies designed to produce full employment. Adoption of that program would then depend upon Congress.

This bill, of itself, does not guarantee this country against future depressions. It does provide an essential tool for coping with our economic problems.

H. R. 2202 instills confidence in working men by giving Government recognition of his right to a job. It gives Government the opportunity of developing long-range policies which will encourage economic expansion. It encourages private enterprise by its statement of government policy to provide full employment. In general, this bill proposes cooperative effort of all branches of our economy toward full production and employment.

For these reasons, the members of the National Council of Jewish Women endorse H. R. 2202, and urges its passage.

NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE

HON. CARTER MANASCO,

*Committee on Expenditures in the Executive Departments,
House of Representatives, Washington, D. C.*

DEAR SIR: Pursuant to action of the membership of the District of Columbia branch of the National Association for the Advancement of Colored People, I am enclosing a copy of a resolution adopted at the October meeting of that organization.

This resolution endorses the Full Employment Act of 1945, S. 380.

We urge your support of this legislation and ask that you use the influence of your chairmanship of the House Committee on Expenditures in the Executive Departments to secure its enactment.

Very truly yours,

ALFRED E. SMITH, *Secretary.*

RESOLUTION ON FULL EMPLOYMENT ACT OF 1945

Whereas a high level of full-time employment at useful occupations will promote the general welfare of the Nation; and

Whereas gross unemployment will result in economic dislocation, hunger, suffering, and strife which are destructive to our internal peace and domestic tranquility: Therefore be it

Resolved, That the District of Columbia branch of the National Association for the Advancement of Colored People endorses S. 380, known as the Full Employment Act of 1945, and urges its immediate enactment by the Congress of the United States.

Adopted: District of Columbia branch, National Association for the Advancement of Colored People.

ALFRED E. SMITH, *Secretary.*

OCTOBER 22, 1945.

BRYN MAWR, PA., *October 23, 1945.*

In opposition to full-employment bill.

HON. CARTER MANASCO,

*Chairman, Committee on Executive Expenditures,
House Office Building, Washington, D. C.*

DEAR SIR: The disturbing increase of unemployment cannot be attributed to any one maladjustment. There are many such maladjustments.

Those arising from acts of government (Federal, State, and local) are perhaps the most devastating in their effects, because they are beyond control of the people to correct and the most difficult for industry, trade, and labor to readjust to.

Government therefore cannot assure full employment unless it is itself prepared to readjust its takings from trade to within the ability of trade to spare without damage to employment. This means of course that any Federal act, to govern the degree of all employment in the land, must also recognize the fact that State and local takings are a large part of the total Government take in the United States and in large measure the cause of unemployment.

It is needless here to comment on the necessity for labor also to adjust itself at times to the money flow generated by trade, otherwise there cannot be full employment. Everyone employed at less wages often creates more buying power than partial employment at higher wages. A high price for an hour of labor is very apt to depreciate the purchasing power of the dollar for goods as it simultaneously increases the tax coefficient in the dollar. If the tax supported and tax exploiting part of the Nation could be persuaded or separately held down without a wage increase and the wage increase applied only to the trade pursuits, a wage increase would accrue somewhat to their benefit and mutual employment.

Full employment in peacetime is therefore really a condition wherein the tax coefficient of the dollar will permit full employment for those not on the Government-supported list. The longer the Government list, the shorter the pay rolls in self-sustaining occupations, because they have less left after taxation for their own mutual buying power and employment, for the takings of taxes and bond issues are then greater per man employed.

If then, what is left after Government takings becomes inadequate to reach around all those seeking to be on someone's pay roll or on the pay roll of some industry, there is bound to be unemployment unless everyone in the self-sustaining occupations agrees to work for less or unless everyone in Government-supported occupations agrees to work for less so that more people can get on Government-supported pay rolls.

Industry cannot pay out more money than it has left after taxes, nor can government pay out more money than it gets from taxes and bond issues. This places the responsibility for unemployment on Government and labor. It is unfair to blame free enterprise.

The only way in which industry can get more money for pay rolls and employment is for Government (Federal, State, and local) to reduce its percentage of takings. The dollar then has more buying power for "goods" and less for governmentals. The "goods" percentage in the dollar doubles itself in every trade, otherwise Government could not be supported and business expand.

This is a fact that seems to be lost sight of in the prevailing discussion on full employment. The assumption so far has been that unemployment can be cured by public works, etc., when so-called private enterprise fails. Little consideration seems to be given to the fact that too many dollars diverted away from trade and into governmentals means a reduction in double duty trade dollars and therefore less money flow to tax for the support of one dollar pursuits.

Too much dependence cannot be placed on the labor of machinery alone to support an overgrown body of governmentals. As it is governmentals now amount to upward of \$1,000 per annum per man employed in the self-sustaining pursuits, or, in round figures, to more than workers in these corporations get for producing the Nation's living. In 1791, when production was largely dependent on hand labor, \$5 or \$6 per man employed put an industry in the marginal class.

Now that the use of power machinery and endless fuel makes possible the support of upward of half the population on tax-derived pay rolls, there is still a point beyond which taxes cannot be pushed without deterioration of employment.

As long as taxation is levied solely for the most necessary and useful public services these services pay their way in usefulness and help to the self-sustaining occupations. Beyond that point tax-supported public works and services become less and less remunerative. The idea, therefore, of curing unemployment by adding to the tax burden on the self-supporting occupations to support more governmentals is not to cure unemployment but to make it worse, to make it chronic. It is the equivalent of forcing the people to buy less bread and eat more government, with less employment all around.

Now, there may be those in this Nation who can devise ways and means to get around a situation of this kind by monetary or other manipulation, but, generally speaking, there is nothing quite so satisfactory to the people at large as full employment based on a percentage in the dollar for purchase of goods which overbalances the percentage for purchase of governmentals. As matters stand now it is the other way around.

If, however, it is not in the power of government or the will of the electorate to correct this situation, it is to be feared that a greater or less degree of unemployment is inevitable.

In computing the tax burden it seems to be generally assumed that, if something can be done to relieve employers of some of the taxes on business, business will spring ahead. To some extent this is true. Some businesses that are now marginal or submarginal would be able to go ahead within the limits of the markets set by unreppealed taxation. But in a rigidly tax-restricted economy such

as ours the frontiers of business generally have been rather rapidly restricted within the residue of buying power left after the joint taxation of employer and employee by Federal, State, and local governments. Added together, this is a large "taking," not the little 28 or 30 percent sometimes figured, but more like 50 to 90 percent, as is readily ascertained by anyone interested enough to look up the true figures. The residue left is really unworkable and for practical purposes has bankrupted the marginals.

The general assumption, however, which has been circulated in government and economic circles seems to regard purchases made with tax money as income to industry generally, whereas in reality it is double outgo. The tax money that bought the goods goes back to pay more taxes, and cannot be used for pay rolls to make the goods. The laborer has to make more goods for less pay and the employer has to maintain machinery and buildings to make goods for which there is no return market. This makes taxes a very critical factor in a modern civilization where so much capital investment is needed to equip each laborer. It doubles the investment needed to conduct an employing business.

I, therefore, feel justified in opposing the full-employment bill as now drafted.

Very truly yours,

WAGER FISHER.

STATEMENT OF MOST REVEREND ROBERT E. LUCEY, S. T. D., ARCHBISHOP OF SAN ANTONIO

By the law of Nature and of Nature's God man has a right to labor for himself or for another to the extent to which some income is necessary for him to support himself and his family in decent and frugal comfort and save something for the uncertain future. The working classes, informed and articulate, will no longer endure the economic servitude to which many were subjected in the past. If capitalism in a republic does not permit them to work they will sacrifice private ownership for state tyranny and trade liberty for bread.

Owing to the unequal distribution of income and wealth in our country private industry and agriculture cannot give employment to all who wish to work and must work to live. Under the full-employment bill the Congress will know beforehand the probable number of unemployed in a given period. The representatives of the people must then decide whether to accord to these laboring people the liberty of the sons of God to work and live or the liberty to starve.

Civil power is divine power: It comes from God. It is unthinkable that the power of God should be used to drive the children of God to futility and frustration. It is imperative that the full employment bill be passed. It is equally imperative that it be not amended to death. Strangely enough, those who most heartily fear and hate socialism are the very ones who, by the injustices of their reactionary policies, drive the people to the desperation of the all-powerful state.

MRS. HENRY A. INGRAHAM, PRESIDENT, THE NATIONAL BOARD OF THE YOUNG WOMEN'S CHRISTIAN ASSOCIATIONS OF THE UNITED STATES OF AMERICA

The national board of the YWCA has been concerned since 1866 with the needs of women and girls. It has a special concern for young women workers in business and industry who make up a very large section of the YWCA constituency of 3,000,000. We are interested also in future occupational opportunities for some 250,000 high-school girls who are members of YWCA groups and 100,000 college students. Our constituency includes many urban housewives, farm women, and women of all races and of diverse nationality and religious backgrounds.

The public-affairs committee of the national board of the YWCA is supporting the full employment bill (S. 380 H. R. 2202) because we believe it will promote the economic welfare of all our citizens. We support this bill more specifically because anything less than full employment holds danger for thousands of women and members of minority groups. We think one of the results of a congressional failure to promote full employment would be to engender bitter rivalries for whatever jobs are available—men against women, veterans against nonveterans, whites against Negroes.

On this basis we, as a woman's organization, are particularly wary of attempts to solve unemployment by pushing women out of jobs. Those who argue against measures like this bill, like to say that its proponents are alarmists, that things

will work out without congressional meddling. They often argue that we overestimate the need for jobs, saying that most women, for example, will drop out of the employment market.

Many local YWCA's have become acutely aware that the majority of postwar civic planning groups have not given full consideration to the postwar problems of women workers. Some businessmen and manufacturers quite frankly state that they don't know what they will do about employing women. The general assumption on the part of men (unfortunately shared by many economically secure women) is that married women will automatically return to their homes and that most unmarried women will soon marry. It is undoubtedly true that most young women hope to marry, and that they hope their husbands will be able to support them. However, simple arithmetic shows that they cannot all have their wish. If every single male in the Nation marries, there will be 3,000,000 women left without any prospect of marriage. There are over 12,000,000 single women over the age of 14 and only 9,000,000 single men.

The error of assuming that jobs for women are an extra and not a necessity is revealed by many studies, which show that most women work because they have to. They either support themselves or are responsible for dependents. Those who live with their families contribute to family expenses, and it should be kept in mind that thousands of families in the lower-income brackets keep going only because all the adults work. To quote from one of the recent studies, the Women's Bureau found that 75 percent of the women working in five areas which it studied within the last year were members of households. In approximately 90 percent of these households they contributed regularly to family upkeep. At least half of the women who so contributed regularly gave 50 percent or more of their take-home pay. About 1 in every 10 women was the sole wage earner. We can give an example also from one of our own complete surveys, which will soon be published by the local YWCA in a city in which heavy industries predominate. In this study, 1,547 women in the 42 factories employing women were reached. Of this number, 74 percent expressed their desire to continue working after the war and 83 percent stated their need to work at the time they were interviewed (May 1945). Sixty-two percent of the women are entirely self-supporting; 51 percent of them contribute to family income. The average number of dependents was 1.5. Twenty-one percent of the dependents were under the age of 5, and 43 percent were between the ages of 6 and 18. Approximately half of the married women expected to quit work. What will become of the other married women and of the 58 percent who have no husbands?

These studies are valuable because they explode the argument that women work for pin money. Most women work because they must support themselves and support others. Will these women need jobs in the future? Yes; if we can judge from the following typical comments from workers in our membership which were written last May:

A drill-press operator from Syracuse who was laid off the next month, wrote: "This plant is going to reconvert, but there hasn't been too much done. However, I will certainly need a job after the war as I have to support myself. With the high cost of food and clothing it's been difficult to save much. I'm not much of a spendthrift, so my money has not been wasted. I've always worked and feel that many women will have to continue working after the war, much more than before."

From Lawrence, Mass., a textile worker wrote: "I was laid off the day after VE-day for lack of work. I was transferred to a woman's job. I knew that I was taking a man's place but didn't expect to be laid off so soon. I live with my family and help support my sister and dad. The cost of living being such as it is, I just about make ends meet with my pay. I believe that the woman's place is in the home, but if a person has no other means of support what can she do but work?"

And a Negro girl from Detroit said: "I want to work after the war. My husband was working at Ford's, but he's ill and I don't know how long it will last. So I'm the breadwinner of our family."

Last April, 2,000 industrial workers answered a national poll conducted by the YWCA. Of these, 72 percent said it was necessary for them to have a job after the war. The great majority of these 2,000 women were under 30 years old and unmarried. Fifty-four percent were on war jobs. The answers of many of these young women showed that they were looking anxiously to the days ahead. "People are subconsciously worried, but they don't talk about it," one older worker asserted. "The minute we hear rumors of lay-offs, we begin to look for something we're trained to do. The worry eats into our sleep."

These girls have to work to eat. What will happen to them if failure to plan results in depression? They have in the past been considered "marginal workers." If they are allowed to form a pool of unemployed, they will be a threat to the employed workers. Past experience has shown us that services of marginal workers can be secured at substandard wages and under poor working conditions, that they tend to depress wages in general and to lower the purchasing power of the Nation. This country cannot afford to allow a condition to arise in which there are so many more workers than jobs that women and members of minority groups must continue to be regarded as marginal. All of these people are equally entitled to a job, and none of them should be barred because of sex, marital status, race, color, or creed. Women from scientists to electrical assemblers worked hard and well during the war at a variety of jobs which showed their skill and adaptability. This skill is a contribution needed in postwar America. Yet, as cut-backs were occurring on the west coast and elsewhere even before the end of the war, YWCA staff members reported that Negroes and women were the first to form lines in front of the United States Employment Office. They must have opportunities for steady work that will enable them to get seniority or greater job security. It is for reasons like these that we support this bill.

We know that many women will reenter household employment and the service trades. Standards in these fields—including hours, wages, quality of work done, conditions of employment—can be raised and maintained at a high level under a national policy of full employment. But under conditions of mass unemployment, these women will be forced to accept starvation wages. Many girls have known the war as the first period when they earned a decent pay check. Are they to go back to the \$2 a week as a household worker, the \$12 a week as a waitress, the \$10 as a dime-store clerk that many experienced in the depression? Only full employment can prevent this.

Those who assert that people's savings form a huge backlog of spending power that will carry private industry into a boom period would not find proof in the poll mentioned above. Although 85 percent of the 2,000 girls who answered our poll had savings, half of these had saved less than \$300. Another 20 percent saved between \$300 and \$500 and 22 percent saved over \$500.

It is understandable that a girl who never had a savings account should feel elated by a two- or three-hundred-dollar balance; but even the most professional of optimists should be able to see how fast these small hoards will dwindle when these girls are laid off. Those bank accounts will be used to pay the landlord and the grocer while the girl hunts a job; they will not be used to stimulate the production of refrigerators and electric irons. That is, they will not be used in this way unless congressional planning averts a long and costly period of job hunting for the girl in question.

As we have said, many girls now working hope to get married and quit work. But they cannot do this unless their husband has a job that can support two. One all-apparent fact about these women workers in our membership is their concern for the veterans. Elsa Graves, a steelworker, who is the chairman of our national industrial council, said in a speech last year:

"I hope I haven't given the impression that women will fight to hold their jobs, no matter what. I think practically every woman in the United States would quit her job rather than have a veteran without a job; but—and this is the most important point—I don't see any reason why women should have to choose between a job for themselves and a job for someone else. Most working-women of America are conscious that their future as workers is dependent on planning for full employment."

Miss Graves might have added that these young women are the wives and sweethearts of veterans. Many of them would like nothing better than to go back to the home as they are advised by those who argue that women should release jobs. However, until their returning veteran can get a good and secure job, they can't quit work. Full employment is the one assurance that women can stay home if they prefer to.

The case for those whose husbands are not returning is vividly stated by one girl worker, who says "I stayed home with my baby for 6 months, living off my savings and allotment. Then I received a telegram that my husband was killed in action. I almost went to pieces, and decided the best thing for me to do was to go back to work. Some day I hope to have a home of my own and more children. Until then I will continue to work. When the war is over it will be swell to know that my wives and sweethearts will again know the sound of footsteps, as the day ends, of their men coming home from work and not from

war." We hope the footsteps she mentions will not be the dragging ones of discouraged job-hunters.

There is another group about which we are greatly concerned—the Negro. The war has given Negroes—men and women—their first real opportunity to secure white-collar employment and factory jobs. As an organization deeply committed to a democracy with opportunity for all regardless of race, color, or creed, we abhor the prospect of a depression which would pit Negroes and whites against each other for jobs. Only through full employment can Negroes and other minority groups realize democratic opportunity. This is a point of crucial danger, a point that Congress cannot afford to ignore. "I am doubtful," says a Negro timekeeper in a tobacco factory, "that this position will be open for me in the postwar world. I believe that my being a member of a minority group may have some effect on management's decision." There is no doubt that her fears are justified and that no measure short of full employment can fully answer her problem.

It is for the sake of women like these that we support this bill—for the girl who supports herself and helps her family, the girl who wants to stay home if her returning serviceman can get a job, the Negro girl who dreads a situation where her only choice will be menial and low-paid jobs.

This bill will certainly require supporting legislation of many kinds. It is not a panacea, but—and this is where its importance rests—it will establish conditions under which the people of America can have confidence in their future. It is designed to give all possible encouragement to private business and industry to employ as many people as possible, and as quickly as reconversion to civilian production will allow. Many forward-looking businessmen understand this and support the bill. At the same time, while encouraging private enterprise, it rightly and justly establishes as a policy of the Federal Government, under law, that "All Americans able to work and seeking work have the right to useful remunerative, regular and full-time employment." A positive declaration such as this, of the intention of the Government to protect the basic right of its people to engage in useful, remunerative work, is an assurance that the workers of this country expect and have the right to expect. It is an assurance that private enterprise should also welcome, because it supports continuous purchasing power and lessens the threat of sudden fluctuations and of depressions that have hovered over business and worker alike. How much better for Government, business, and labor to plan in partnership now than for Government to set up hastily improvised, makeshift relief projects in a depression period.

Carefully worked out, socially useful projects can and should be planned in advance. The cost of such projects will be little compared with the cost of war, or the cost of public-relief programs. If only a fraction of our population is employed, these few will have to bear the burden of taxes for paying off our national debt, and for carrying the load of public relief. If more people are working and fewer are relief recipients, the tax burden can be more widely and evenly shared by the employed people of the Nation. The entire social-security system can be more adequately and efficiently administered if there are fewer people on the direct relief rolls. There are many types of public-works projects which are within the proper function of the Federal Government that are income producing, and will pay their own way.

Some excellent surveys of local conditions have been made by citizens postwar planning committees in many cities. To a large extent many of the present and future employment problems may be settled in local communities, but the task is too large and the dislocations caused by the war are too great to be handled entirely by local and State governments or by private planning committees. The problem of displaced and migratory workers is one illustration of the necessity for Federal responsibility.

Americans like to tackle their problems at the grass roots, and their confidence in private enterprise and initiative is great. But confidence in the greatness of American business, industry, and agriculture is not incompatible with confidence in a democratic government which is a government of people, and which should be ready to work in partnership with private enterprise to protect the welfare of all of its citizens. Under a bill of this kind, planning will not be removed from the people and placed in the hand of a totalitarian superstate. Planning is to be done by a joint committee of the Congress, the peoples' representatives of both parties, after consultation with various economic groups (also representatives of the people), business, industry, labor, agriculture, and consumers. Never before has this country had a greater opportunity to achieve national unity in time of peace to compare with wartime unity. We know from

the experience during the war that we can work together, plan together in a truly democratic way if we can forget special interests in the interests of the common welfare. This bill says, and the people who support it say, that private enterprise should go ahead, develop to its utmost, and employ as many people as it can. The Government's role is that of intelligent partnership in planning.

The present bill does not guarantee a fixed number of jobs for a fixed number of people, but recognizes that the actual number of people in the labor force may vary from year to year. It provides a solid framework within which the President and the Congress can, after consultation with various economic groups, plan in advance measures designed to promote employment opportunities and to maintain a high national income.

To fulfill her responsibilities as a member of the family of nations, the United States must not allow mass unemployment to grip the country. A depression here can only mean world-wide depression, and economic disturbances which usually lead to war or revolution. We are not looking for economic panaceas but we believe in planning as far as is humanly possible for our economic security.

We would like to make one more point: This bill is championed by numerous organizations, covering the social work field, religious leaders, small businessmen, and labor. But the demand, however inarticulate, for full employment is far wider and far stronger than any organization can indicate. It is the one thing that American workers, be they white collar or industrial, have most on their minds. They may not know much about legislative proposals, but they know they want jobs for all. Everyone remembers and dreads another depression. Everyone has seen that America can produce when it has to. Workers will not forget these lessons. They expect their Government to take a hand, and they expect planning. If their expectations are met by ineffectual piecemeal measures, this Congress will be repudiated as no Congress has ever been. The American people will not tolerate more depressions. We in the YWCA believe this because we see white-collar girls and industrial girls in discussion groups, in clubs, in dances, in swimming pools, in conferences. Wherever they are, they are discussing postwar jobs. Everyone of our seven annual conferences of business and industrial girls this summer adopted full employment as an emphasis for this year. At one of these conferences, a girl said simply, "If factories close and there aren't jobs, there is no peace." Our National Business and Professional Council, representing 60,000 girls, has full employment as one of its national emphases, and pledges itself to "work for full employment * * * by exercising our power as citizens to elect the kind of Government that will be responsive to our needs as workers." Our National Industrial Council has a similar emphasis.

We know, therefore, that the interest in this issue is Nation-wide, that it is intense, that it pervades every group of workers, and that the questions they are asking are: Why did Congress wait so long? When will it act?

UNITED MINE WORKERS OF AMERICA,
Washington 5, D. C., September 28, 1945.

HON. CARTER MANASCO,
*Chairman, Committee on Expenditures in the
Executive Departments,
House Office Building, Washington, D. C.*

MY DEAR CONGRESSMAN: I have your telegram of September 22 and your subsequent letter of September 27, and I note the hearings on the full-employment bill have been deferred.

It is my thought that it will not be necessary for me to testify before your committee on this question. I testified on the subject matter before the Senate committee and could not add to the statement made at that time.

I will arrange for Mr. Robert Howe, our legislative representative, to file with you a copy of my Senate testimony.

With every appreciation of your personal and official courtesies, I am,

Sincerely yours,

JOHN L. LEWIS.

STATEMENT OF JOHN L. LEWIS, PRESIDENT, UNITED MINE WORKERS OF AMERICA

The CHAIRMAN. Mr. Lewis, as I suppose you know, we are considering the so-called full-employment bill and we would like your views, knowing your keen interest in the whole subject matter.

Mr. LEWIS. Thank you, Senator. Out of my profound consideration for the time and patience of the distinguished Senators, I come without excessive documentation and I will try to be brief.

Speaking for the United Mine Workers of America, I speak in approval of Senate bill S. 380 in principle, reserving the right to dissent from possible amendments when the bill is in final shape as a result of your deliberations. I doubt that it is necessary for me to make any detailed analysis of the bill or to burden the committee with a repetitive discourse, on grounds that have been covered by previous witnesses, with which substantially there is no dissent.

I call to the attention of the committee this fact which I think is of vital and profound importance. The problem of providing employment opportunities in the years to come is indubitably associated with the question of number of hours and number of days that we operate our production and fabricating plants in the Nation. This bill calls for the annual survey and report to the Congress through the medium of the machinery that is created here, with recommendations for action by Congress to take up the slack between the job opportunities being created by private enterprise and the amount required. Now, unquestionably the length of the day's work and the length of the workweek enter into any serious computation of that problem or any profound consideration of the equations which are involved.

It runs to the question of the functioning of the entire economic establishment of the Nation. The enormous quantity production per man employed will be greatly increased in the postwar years. We are living in a marvelous age when genius and science are performing modern miracles, in new formulas, in the realm of chemistry, physics, engineering, and mathematics. Every day we are increasing the productive capacity of our employable and available manpower in the country. In other words, we are abolishing work as such and we are utilizing power and the automatic and semiautomatic machine.

The atom is being broken down, not by human hands, but by the devices of man and his mechanical and scientific enterprise, and the great work of extracting that power from Nature's storehouse not performed by human hands but by the devices that originate in the minds of the men of genius. So we are operating now with a constant improvement in all our devices, utilizing power, and men press buttons and pull levers and perform various tasks, so that the power and machinery do the work.

In consequence, we are making each pair of human hands in industry more efficient. Take the mining industry with which I am associated. Its efficiency during the World War II as compared with World War I is probably a 40-percent improvement on the average. Less men produce more coal. We are producing now 6 tons per day per man employed in and around the industry, as against the British production of 1 ton per day or less per man employed in the industry, at a cost of less than one-third, f. o. b., per ton, and with a wage structure that is three times as high as the British wage structure on the day or weekly basis. There is the record of American industry in one industry that is a vital and basic industry.

That efficiency and that progress reflects itself into our entire economy and commercial establishment. So, as a result, quantitatively in the years to come, less men are going to be able to produce more goods, and it is a conservative estimate now to believe that in the first 2 years following the war that the productivity of the American plant and equipment and American workman will exceed by more than one-third the productivity of the same number of workmen in the years preceding World War II.

I emphasize this fact in order to show you that if you once achieve full employment with this mighty productive machine, with our men of genius still sitting up at night to devise new formulas and new plans and new machines, that the productivity of that plant and that manpower will be so great that inevitably the warehouses and shelves will become full and the market will be glutted, because the buying power on the part of the population and their ability to consume the products that they buy will not keep pace with the constant increase of productivity. In consequence we will be faced with a reaction.

So inevitably I suggest that it is vitally necessary for the Congress and the Government, in any consideration or adjustment of the employment opportunity

question in the future, to have equal power to deal with the number of productive hours under which American industry will operate. Certainly the question of providing jobs and assuming the responsibility that Senate bill 380 assumes for the Government could not be lightly done unless the Congress did have the power to say how long the wheels should operate and how long human hands shall produce in a glutted market.

So, in consequence, the United Mine Workers have prepared a suggested amendment for the consideration of the committee. It is very brief, and we think broad enough to give to the Congress at least the power to consider these problems and to take such action as might be deemed wise in the circumstances.

We suggest to amend S. 387 in section 2 by adding after subsection (c), right down at the bottom of page 2, below line 24, a new section, number (d) (1), as follows:

"In order to maintain a reasonable minimum standard of living necessary for health, efficiency, and general well-being of the workers, it is the responsibility of the Federal Government to adopt from time to time policies and programs looking to the adjustment and shortening of the hours of labor, thus stimulating and stabilizing the national economy and the even flow of workers into industry."

Senator TAYLOR. Mr. Chairman, may I ask a question?

The CHAIRMAN. Surely.

Senator TAYLOR. You don't think it is necessary for the Congress also to legislate regarding wages? Should we leave that to be settled by labor and industry?

Mr. LEWIS. Other than minimum wages that are now prescribed in the Fair Labor Standards Act of 1938. Certainly I don't think that the Congress should undertake to fix the wages of American workers if we want to maintain free enterprise in America. We cannot fix wages by law, we cannot have compulsory arbitration, and we cannot have the individual forced to work under standards fixed by the Government if we are to preserve free opportunity and free enterprise and a republican form of government for the rest of the population.

May I point out with respect to this amendment that the words in the amendment, "a reasonable minimum standard of living necessary for health, efficiency, and general well-being of the workers," is lifted verbatim from the Fair Labor Standards Act of 1938. I merely call that to the attention of the committee.

The CHAIRMAN. This amendment does fix wages to the extent of increasing the minimum; is that correct?

Mr. LEWIS. Pardon me, Senator.

The CHAIRMAN. You were talking about wages. It does provide for an increase in the minimum; is that right?

Mr. LEWIS. That is right.

Now, following that amendment on page 2 it will probably be required to amend section 3 on page 5, after the word "wages" in the fifteenth line, by adding the one word "hours." It will then read, "wages, hours, and working conditions."

I know of nothing of greater importance in considering employment opportunity than the question of lessening hours. There is no other way for the population of the country to have participation in the fruits of genius and the benefits of progress.

The mine workers are now working a 54-hour week in the mines of the country to supply the country with coal. Prior to the war we had a 35-hour-week wage agreement. But the miners never got to work 35 hours a week. The average employment time was 25, 26, or 27 hours a week. Now, under the stress of the Nation's requirement, production has increased and hours have lengthened and the men are working the 54-hour week. Those that are not injured during the course of the week's employment or those whose physical stamina is sufficient to carry them through work a 54-hour week.

With the coming of peace again, the restoration of normal, and the filling up of our shelves and warehouses with consumer goods, we will find that the market will not absorb that quantity of goods and certainly it will be necessary to reduce the working hours. The entire Nation is faced with that problem. In all our past history we have never been able to find foreign markets in which to sell more than 6 to 8 percent of our production. It is not reasonable to assume that the coming years in the immediate future will permit us to sell any greater quantity than that again.

So America is again faced with the necessity of finding her own markets, creating her own consuming power, and providing for a wage and an income for the working population of this country that will permit them to become

unwholesome and their vicious economic exploitation of the Negro race. It will maintain the standard of living in the South which is unwholesome and vicious and should be abolished. It should not be done by the Congress or by the people of the country.

America has to look forward to a constantly increasing standard of living, with greater leisure for its people, greater opportunities for recreation, and greater opportunities for education. Otherwise we cannot keep our economy running. Our productive machine will overwhelm us in every economic and social sense. So, in consequence, the Congress should not undertake to do anything that will put a burden upon the backs of men who want to organize and bargain collectively in harmony with the public policy of the United States. Certainly labor has a right to bargain in the open market for the only thing it has got to sell, that is the labor of its hands and the time of its being. So I think this amendment here will be unwholesome and of bad effect.

I don't know that there are any other details I should discuss here. Anticipating a possible question, because I understand it has been a matter of discussion in the committee here, the matter expressed in section 2, paragraph (b), on page 2, "it is the policy of the United States to assure the existence at all times of sufficient employment opportunities." Well, that word "assure" is not binding because it is dependent on what Congress will do when Congress gets the report from the President in the manner prescribed, making suggestions as to what should be done. No one can bind a future Congress, and the American people are going to express themselves in the future through their elected representatives as in the past, and you cannot bind the American people. I personally would be perfectly satisfied if that word "assure" was "promote." I would be just as satisfied with "promote" as with "assure" because I think neither of them is binding upon the Congress or upon the people. They are simply a declaration of policy. The desire to execute the policy depends on the circumstances and the time. So to me that is of no more importance than the difference between "the" and "thuh." Finis.

The CHAIRMAN. Thank you very much. Any questions to ask of Mr. Lewis? (There was no response.)

Thank you very much, Mr. Lewis.

Mr. LEWIS. Thank you, Senator and gentlemen of the committee.

NATIONAL COUNCIL OF FARMER COOPERATIVES

WASHINGTON 6, D. C.

John H. Davis, Executive Secretary

STATEMENT ON FULL EMPLOYMENT AND LABOR

Full employment of labor, capital, and natural resources under our American system is the result of optimum production of needed goods and services. Our free, expanding economy normally generates its own new production to employ the gradual increase in our supply of workers and to employ those who are displaced by labor-saving improvements in production and distribution. Increased production efficiency, which is reflected in lower unit production costs, provides opportunity for a constantly increasing number of jobs, more goods and services per consumer, and hence a gradually higher standard of living for all.

It is the function of our Government to provide a favorable business climate in terms of such factors as money, taxes, and monopoly regulations, and other fair trade practices, in order that private enterprise through effective labor, thrift and investment can fully use our manpower, capital and natural resources. Under such conditions unemployment should be largely transitional, pending the reestablishment of conditions which will absorb such workers in productive private enterprise. It devolves upon Government in times of emergency to assist persons in need or distress to a subsistence income through well-planned and -managed work and relief programs thus improving the business climate by providing incentives to greater development and use of individual initiative, skills and managements.

A free economy should be protected by a government which restrains its activity to that of an umpire, rather than participating in management or capitalist roles. Real wages under such circumstances will be advanced by competition through adjustments in wages or prices or both as fast as increased

consumers and buyers in the Nation's domestic markets. We have no other place to look. It is possible for us to organize our economy on that basis because we are constantly reducing the unit cost of production through the application of improvements and scientific achievements and new facilities.

Senator TOBEY. And we want those to be a blessing instead of a curse.

Mr. LEWIS. We want those to be a blessing, Senator, instead of a curse.

Senator TOBEY. That is right, and it is our job to devise ways and means to do that.

Mr. LEWIS. An invention that comes from an inventor's mind that does the work of 100 men and employs only 2 to run the machine, that merely furnishes a royalty to the inventor and a margin of profit to the manufacturer and destroys the buying power of 98 men becomes a curse instead of a blessing. We must pass that down through the population. If we progressively and mathematically destroy the opportunity for employment in America, then in inverse ratio we must give participation in the remaining amount of work to all the population. I don't think there is any other answer if we want to preserve our economy and our form of government.

Now, I do trust that the committee in its wisdom and discretion will give full consideration to that very important subject. On page 8, section 4 (c), I think—section 4 (c) on page 8, we think that "may" should be changed to "shall." I see it is suggested in an amendment that has been offered by some of the Senators. The President shall consult with representatives of industry, agriculture, labor, and State and local governments.

The CHAIRMAN. Mr. Green suggested that, too.

Mr. LEWIS. I am glad to know it. I was sitting behind that screen and I couldn't hear him very well. Certainly it should not be optional. Certainly labor is entitled to have that consultation with these representatives of other interests, industry and labor and so on. Certainly it should not be the whim of whoever may be President 10 years from now as to whether or not he will consult labor. We do like to be consulted, whether or not our views are accepted. I think that is a human trait that probably prevails in the minds of a lot of people as well as those who represent labor organizations.

In the amendment presented on the legislative day of July 9, a copy of which I have here, on page 4 in the twelfth line, section 10 (a) of the act, it sets forth that opportunity to engage in productive work at locally prevailing wages and working conditions for the type of job available shall be the standard by which full employment is defined. I don't think that language should be in the bill for very obvious reasons. "Locally prevailing wages." I think it is not only unfair to the workers in limiting their opportunity because the locally prevailing wages become a maximum instead of a minimum, but I think it is unfair to industry, to investors, and to capital. I think it will operate to maintain and continue indefinitely substandard wages in many of the rural sections of the South. I think that the wage minimum in the Wage-House Act is a sufficient floor. I think this either should be stricken out—either that "locally prevailing wages" should be stricken out, or it should be inserted in lieu thereof that wages fixed through collective bargaining, if you are going to deal with wages there. I think you are treading on dangerous ground by putting that in, because it will be used by the government contractors in the remote areas of the country as their defense against any attempt to increase wages or raise the standard of living or to increase the buying and consuming power of the population of that area.

I have this in mind. In 1933, 1934, and 1935, when the first National Labor Board was functioning, of which the distinguished chairman of this committee was Chairman—

The CHAIRMAN. And you were a member—

Mr. LEWIS. I recall that, Senator. We found wages in Louisiana in the lumber industry in those remote and mosquito-infested swamps, as low as 10 cents an hour. We found similar wages in Mississippi, in Alabama, and in Florida—10 cents an hour. Fifteen cents an hour was almost an excessive wage in some of those areas. We found that the lumber manufacturers and producers of the Pacific Northwest and other areas in this country were compelled to compete in the national lumber markets with the 10-cents-an-hour wage levels of Louisiana. At the same time they were being required to pay a wage four, five, and six times that to work their plants in the Pacific Northwest. It constituted unfair economic competition from any national standpoint. I merely mention the lumber industry in passing as an outstanding example.

This amendment, if it goes into this bill, will be utilized by contractors and employers in the South, notoriously antiunion and antilabor, to continue their

man-hour productivity will permit. It is important that gains in real wages benefit workers generally instead of being limited to select groups through monopoly practices. If maximum employment is to result, it is essential that increases in the general standard of living be reflected in the real earnings of self-employed persons such as those engaged in agriculture and services.

In a free economy, labor, and management, if properly responsible to the public and in their own long-time interest, will negotiate conditions of employment voluntarily and will reduce strikes and lockouts to a minimum. Production or services essential to the daily welfare of the people should be maintained with the aid of appropriate public conciliatory machinery, where voluntary efforts fail.

STATEMENT OF ELISHA M. FRIEDMAN ON FULL-EMPLOYMENT BILL—AIMS AND METHODS

The intent of the full-employment bill, S. 380, is noble. In an ideal society, its members are all employed. That is a high goal of aspiration. But the methods outlined in the bill will not realize that goal. The bill calls for "a national production and employment budget for the ensuing fiscal year or long period." It is beyond the possibility of any man or group of men to make such a forecast. Look at the fluctuations in the index of production over the past 30 years or more. What businessman or economic organization, what Government official or political administration in the past 30 years has predicted these fluctuations correctly, even up to 50 percent?

The history of prophecy by Government officials is none too brilliant, even by our Presidents. During the weary years of depressions, from 1930 to 1932, we heard a memorable, short-term prophecy from President Hoover, "Prosperity is just around the corner." In the spring of 1937, when President Roosevelt said, "We planned it that way," the country went into a depression a few months later at a speed unparalleled in American history. In 1938 President Coolidge and Secretary Mellon said that stocks were not too high and that broker's loans were not too high. In the spring of 1937 President Roosevelt said that commodity prices were too high and a few months later the administration was frantically trying to lift commodity prices off the bottoms to which they collapsed.

Who can guess the future? Forecasting economic conditions 16 months ahead is a task for gods, not mortals. When the Interstate Commerce Commission tried to forecast earnings of railroads in reorganization, Commissioner Carroll Miller, an engineer by profession, wisely said, "We are not omniscient and cannot foresee the future" (242 I. C. C. 475).

The human mind is fallible. A hundred human minds are equally fallible, even if they be Government officials engaged in forecasting. What a strange dogma we hold, that a Government forecast is infallible. Look at Government estimates in a narrow field made by specialists in that field. Look over the Department of Agriculture forecasts in the spring of what the final crop would be for the year. Yet the size of the crop determines the market price and both determine farm purchasing power and demand for machinery and automobiles.

Look at the ICC forecasts over a period of years. Read Fairman B. Dick's revealing history of the complete failure of the ICC to forecast economic conditions or earnings, cited in his testimony before the House Judiciary Committee on the Hobbs bill (H. R. 2857 of 1943, pp. 85-86). What Government forecasts have ever been reasonably correct over a period of years? How much Government foresight is revealed in the Pearl Harbor report? Or in our prewar policy of unpreparedness?

For the Government to forecast an employment budget 16 months ahead is obvious nonsense to any dispassionate economist, even now. It will be obvious nonsense to the man in the street after the first few guesses. The notion will be discarded, undoubtedly. In addition, the proponents of the forecasting feature of this measure will be discredited. The Government's prestige will fall both in the eyes of its citizens and in the opinion of the rest of the world. No other Government ever attempted such an impossible task as is now proposed. The whole conception is naive. It represents wishful thinking by sincere high-minded men. In 1933 we lagged 30 to 50 years behind Europe in unemployment insurance, old-age pensions and other social legislation. In 1945 we rush thoughtlessly ahead in a field where other nations have feared to tread.

For Congress now to pass a bill that all Americans have the right to regular, full-time employment, and for the Federal Government to assume the responsi-

bility, is similar to a convention of physicians voting perpetual perfect health for everybody. But, medicine did reduce disease and mortality rates greatly in the past century. How did the doctors attack their problem? They conducted research in each particular disease—typhoid, smallpox, etc. As a result the scientists devised methods to prevent a particular disease. Typhus, cholera, and smallpox, the scourges of a century ago, have been effectively prevented. Scientists also found means of curing particular diseases like pneumonia and tuberculosis.

Similarly, our Congress in Washington must study individual unemployment problems. Is unemployment in the building industry due to the gap between the wages of masons and of tenants? Can a \$20-a-day mason be kept employed building homes for clerks who earn \$25 a week? Is the high cost of building affected by uneconomic labor practices and rackets such as Attorney General Thuman Arnold pointed out in his congressional testimony before the Truman committee? Are workers in the electrical-equipment industry idle because the SEC is breaking up the utilities instead of consolidating them into regional systems as the law requires and as the British did with their railways? Are railroad workers idle because the Government is subsidizing the competitors of the railroads? There is no panacea for general unemployment. Each particular industry must be studied. When Louis D. Brandeis was asked "What is your social philosophy?" he answered, "I have no general philosophy. All my life I have thought only in connection with the facts that come before me."

The United States Government has few jobs and it can create relatively few. The Soviet Government, which is in business, has many jobs and can create others. But it has a very low wage scale and low standard of living, lower than our relief clients. It is so low that in the Potsdam Declaration, the Big Three agreed to keep Germany's standard of living below the average of European countries, excluding Soviet Russia, which was presumably too low even for a defeated enemy.

Whoever produces goods, whether the private businessman or the capitalist state, can give jobs. In the United States, business is still conducted by private enterprise. All the Government really can do is to see that suffering due to widespread unemployment is alleviated. The Government can increase employment by encouraging the job givers. Encourage the entrepreneur, or, at least, cease penalizing him unduly by taxes on production and by wasteful labor practices, which raise costs.

The question of full employment can be made clear through the income account of a business. Profit is what makes the economic machine go. Profits create employment. Periods of maximum employment are periods of maximum profits. Periods of maximum unemployment are periods of maximum losses. If the costs exceed the selling price, a business loses money. Costs must be reduced. Then labor is discharged temporarily. If not, the employer becomes bankrupt and the jobs disappear permanently.

In the order of priority of claim, wages come first, and dividends, if any, come last. To employ workers involves risks. The volume of employment depends on the risks, economic and political. But when our Government employs, it takes no risks. It "passes the buck" to business, which provides the taxes. But when the Soviet Government employs workers, it does take a risk. It cannot transfer the responsibility. There is no private business which provides income for taxes. Therefore in Soviet Russia wages are fixed to leave a profit. Therefore there is full employment.

The Soviet Government can take responsibility for full employment because it has power over wage rates. Strikes are not allowed. No union dare fight the Soviet State. The American employer has no such power over wage rates. American unions, however, undertake to manage, but refuse responsibility for business losses and resulting unemployment. They look to Government to bail them out. The Government then assumes the responsibility for union policy. We talk about the profit motive and then permit or foster policies which prevent profits and create unemployment.

It is a fallacy to say that the Government can employ workers if industry won't. If there is a profit, industry will operate. But if there is a loss, even a Government cannot operate permanently. Permanent subsidies for unprofitable public business is impossible. The full employment bill must be checked against a businessman's statement of income, or profit and loss.

Public works, the reliance of bill S. 380, are not important factors in employment. Look at the record from January 1934 to January 1939. Our unemployment figures were about the same at both dates. But our debt increased about

\$13,000,000,000. When a national income falls by \$20,000,000,000 a public-works program is insignificant.

What we need are flexible wages. When selling prices decline, costs must decline. Only under flexible wages is constant high employment possible. Dividends average about 6 percent of the national income and wages about 70 percent. Even if the stockholders were wiped out, and the workers took over the business, costs could not exceed selling price. Wages would then have a ceiling, determined by selling prices. Today there seems to be no ceiling.

In a simple primitive economy the wages of the artisan depends upon the selling price of his product. That is clear. In our complex modern economy of mass production by coordinated specialists, wages must also be determined by selling prices. That is not so clear. It is the task of economists to enlighten the public.

We should not talk in generalities. We must study individual causes of unemployment. We must change our attitude to the railroads and the utilities. The British in 1921 consolidated their 126 railroads into 4 systems. None went bankrupt ever since. Orders for locomotives and cars were fairly steady; employment was steady. We do not have a single Nation-wide telephone service. But we did not permit our railroads to consolidate. Almost 40 percent went bankrupt in the last 10 years—the highest in history. Their orders for equipment fluctuated violently; then workers in the railroad-equipment industry lost their jobs.

We are breaking up the utility-holding companies. In 2 years, 1934–35, orders for electric-utility equipment declined 80 percent below the average of 1919 to 1933. We should not disintegrate but consolidate the utilities as the law demands. We could thus stimulate expansion and employment.

If selling prices remain flexible, as our antitrust laws contemplate, wages must remain flexible. Rigid wages would require rigid selling prices. Labor monopoly requires industrial monopoly. High employment requires balance between wages and selling prices. Not legislation, but bookkeeping tests, will give us full employment.

The full employment bill, S. 380, has embarked on a huge undertaking in Government control of business. We might well recall a dissenting opinion, by Justice Louis D. Brandeis, on the right of the State of Oklahoma to control the manufacture and sale of ice (1932): "We have been none too successful in the modest essays in economic control already entered upon. The new proposal involves a vast extension of the area of control. Merely to acquire the knowledge essential as a basis for the exercise of this multitude of judgments would be a formidable task."

This wise man, in a letter to Robert W. Bruere in 1922, wrote: "And do not pin too much faith on legislation. Remember that progress is necessarily slow; that remedies are necessarily tentative; that because of varying conditions there must be much and constant inquiry into facts * * * and much experimentation."

By all means, let us keep in mind the high goal of full employment. But let us concentrate more on the method of attaining this goal. There is no immediate danger. We need not worry about long-term unemployment immediately, or even for several years, until the unsatisfied demands of consumers are met. Then, long-term unemployment may become a pressing problem.

Therefore, let the Congress appoint a committee of experts to study the causes and cure of unemployment, not merely in its broad aspects but also industry by industry. Let this committee of experts point out what evil practices, by business, by Government, and by labor, prevent employment and create unemployment. Here is a task for practical social idealists. The passage of the bill as it stands can only result in failure to realize the goal and thus discredit the lofty aim with which there is universal agreement—"useful, remunerative, regular, and full-time employment."

[Telegram]

NEW YORK, N. Y., September 27, 1945.

CARTER MANASCO,

*Chairman, House Committee on Expenditures in Executive Departments,
House of Representatives, House Office Building, Washington, D. C.:*

I regret that I will not be able to accept your kind invitation to testify before your committee on the full-employment bill, but I do wish to avow my complete support for the measure. Not merely because there can be no fair employment without full employment, nor because fascism festers only among the insecure,

the jobless, the frustrated, but because America needs a new freedom, the freedom to work without which all other freedoms languish. All liberty-loving Jews in America endorse this measure. Will you be good enough to have this telegram made a part of the transcript of your hearing?

STEPHEN S. WISE, *President.*

STATEMENT OF JULIUS A. THOMAS, REPRESENTING THE NATIONAL URBAN LEAGUE

On August 27, 1945, the National Urban League presented to President Harry S. Truman a full report on the probable effects of reconversion on the status of the Nation's Negro population. The report, titled "Racial Aspects of Reconversion," includes a section dealing with the employment outlook for Negro wage earners in which we have registered our unreserved support of legislation designed to maintain full employment. With your permission I should like to make that report a part of my statement to this committee. I should like to include, also, a copy of an article titled, "How Reconversion Will Affect Negro Workers." This article was published last July in the magazine *America*, and was written by the director of industrial relations of the National Urban League.

The chairman has already stated that the point of view which I am presenting to this committee represents the position of the National Urban League, an interracial social-work agency concerned primarily with the economic and social problems of the Nation's Negro population. I should like to add the following clarifying facts: There are 51 local organizations affiliated with the National Urban League, all of which are extending the work and the philosophy of the league to the level of community living. These organizations are today facing the biggest job they have had to do in the 35 years of the league's existence. What I shall say, therefore, must not be confined to the statistical material to be found in the reports to which I have already referred.

In almost every important industrial center in the Nation thousands of Negro workers are being laid off daily because of cut-backs in the production of war materials. In some cities as many as 50,000 Negroes will be affected by the sudden change in our economy. The problem which we face as an organization is that of advising and counseling these displaced workers. While they are reported statistically as so many workers in the labor pool, in our thinking they are people who today face the possibility of prolonged unemployment, unless our economy can be made to work more efficiently.

There will be many references to the social cost of this involuntary termination of earning power in the course of these hearings. I shall not take the time to do more than refer to that phase of the problem with which we are working daily. I think it worth noting that, by and large, the Negroes have always borne a disproportionate share of unemployment and have always paid a greater share of the costs in terms of higher death rates, substandard living conditions, higher rates of juvenile and adult delinquency, and many other social ills. I cannot believe, and I do not think you believe that Negroes prefer to be pointed to as the Nation's problems. The Negro worker's wartime experiences went a long way in stimulating self-respect and self-reliance among them. Among other things they earned enough to provide some of the essential comforts for decent family living. They were engaged in productive jobs in which they took great pride. They came to know the meaning of such terms as self-sufficiency and job security—if only for a short while. The Negro worker looks to the future with serious misgivings.

His experience has taught him that when jobs are scarce, he can hardly expect to get one. On the other hand, when there is work for all hands, the Negro knows he will find a job, even though it may not be the job for which he is best prepared and qualified. I realize, Mr. Chairman, that what I have said applies to many thousands of workers of various races, colors, and creeds. I do not intend to discount their just concern for the state of our postwar economy. If I seem to overemphasize the probable job problems of Negro workers, it is because the organization by which I have been employed for 22 years has had a continuing interest in the peculiar problems of Negro workers.

I cannot conclude my remarks here without some reference to the 1,000,000 Negroes who have served in our armed forces. In a few months they will be returning to civilian life and to jobs if there are any to be had. In the past 2 years I and other representatives of the Urban League have visited training camps and other training facilities for members of the armed forces. We have observed the results of the Army's training program as we watched hundreds of Negro youths handling all kinds of machines and technical implements of war.

I am deeply grateful, Mr. Chairman, on behalf of the National Urban League, for the privilege of making this statement, and I urge your continued interest and action until this important legislation is enacted by the duly elected representatives of the people of our country.

Aircraft	107,000	Basic nonferrous metals	22,000
Shipbuilding	182,000	Culver	16,000
Ordnance	142,000	Other munitions	178,000
Communications equipment	19,000		
Basic iron and steel	60,000	Total	726,000

the jobless, the frustrated, but because America needs a new freedom, the freedom to work without which all other freedoms languish. All liberty-loving Jews in America endorse this measure. Will you be good enough to have this telegram made a part of the transcript of your hearing?

STEPHEN S. WISE, *President.*

STATEMENT OF JULIUS A. THOMAS, REPRESENTING THE NATIONAL URBAN LEAGUE

On August 27, 1945, the National Urban League presented to President Harry S. Truman a full report on the probable effects of reconversion on the status of the Nation's Negro population. The report, titled "Racial Aspects of Reconversion," includes a section dealing with the employment outlook for Negro wage earners in which we have registered our unreserved support of legislation designed to maintain full employment. With your permission I should like to make that report a part of my statement to this committee. I should like to include, also, a copy of an article titled, "How Reconversion Will Affect Negro Workers." This article was published last July in the magazine *America*, and was written by the director of industrial relations of the National Urban League.

The chairman has already stated that the point of view which I am presenting to this committee represents the position of the National Urban League, an interracial social-work agency concerned primarily with the economic and social problems of the Nation's Negro population. I should like to add the following clarifying facts: There are 51 local organizations affiliated with the National Urban League, all of which are extending the work and the philosophy of the league to the level of community living. These organizations are today facing the biggest job they have had to do in the 35 years of the league's existence. What I shall say, therefore, must not be confined to the statistical material to be found in the reports to which I have already referred.

In almost every important industrial center in the Nation thousands of Negro workers are being laid off daily because of cut-backs in the production of war materials. In some cities as many as 50,000 Negroes will be affected by the sudden change in our economy. The problem which we face as an organization is that of advising and counseling these displaced workers. While they are reported statistically as so many workers in the labor pool, in our thinking they are people who today face the possibility of prolonged unemployment, unless our economy can be made to work more efficiently.

There will be many references to the social cost of this involuntary termination of earning power in the course of these hearings. I shall not take the time to do more than refer to that phase of the problem with which we are working daily. I think it worth noting that, by and large, the Negroes have always borne a disproportionate share of unemployment and have always paid a greater share of the costs in terms of higher death rates, substandard living conditions, higher rates of juvenile and adult delinquency, and many other social ills. I cannot believe, and I do not think you believe that Negroes prefer to be pointed to as the Nation's problems. The Negro worker's wartime experiences went a long way in stimulating self-respect and self-reliance among them. Among other things they earned enough to provide some of the essential comforts for decent family living. They were engaged in productive jobs in which they took great pride. They came to know the meaning of such terms as self-sufficiency and job security—if only for a short while. The Negro worker looks to the future with serious misgivings.

His experience has taught him that when jobs are scarce, he can hardly expect to get one. On the other hand, when there is work for all hands, the Negro knows he will find a job, even though it may not be the job for which he is best prepared and qualified. I realize, Mr. Chairman, that what I have said applies to many thousands of workers of various races, colors, and creeds. I do not intend to discount their just concern for the state of our postwar economy. If I seem to overemphasize the probable job problems of Negro workers, it is because the organization by which I have been employed for 22 years has had a continuing interest in the peculiar problems of Negro workers.

I cannot conclude my remarks here without some reference to the 1,000,000 Negroes who have served in our armed forces. In a few months they will be returning to civilian life and to jobs if there are any to be had. In the past 2 years I and other representatives of the Urban League have visited training camps and other training facilities for members of the armed forces. We have observed the results of the Army's training program as we watched hundreds of Negro youths handling all kinds of machines and technical implements of war.

These men will want to use these new skills when they return to civilian life. They will not be satisfied with the typical traditional porter and janitor job. Every day my mail includes letters from Negro soldiers in the South Pacific as well as from Army bases here at home inquiring about job possibilities in this or that industrial field. The occupational readjustment of these men will be a problem which, up to now, has not been officially recognized by the agencies responsible for directing veterans into productive employment. But it must be dealt with, and the best assurance that it will be adequately treated is the enactment of legislation to stabilize our peacetime economy.

Finally, Mr. Chairman, I do not see in the proposed legislation any great departure from the procedure which we have always adopted with respect to employment opportunities for American workers. To promote the general welfare—an accepted responsibility of government, it seems to me—embraces the creation of an atmosphere favorable to the employment of our citizenry and in productive work. The only point of departure, as I see it, may be in the fact that we now propose to examine our economic machinery at regular intervals before it breaks down rather than after it breaks down. And having discovered the probable points of vulnerability, we propose to apply the remedies that will prevent a complete break-down. Perhaps this may be considered oversimplification of the problem, but I am convinced that it makes sense.

I am deeply grateful, Mr. Chairman, on behalf of the National Urban League, for the privilege of making this statement, and I urge your continued interest and action until this important legislation is enacted by the duly elected representatives of the people of our country.

EMPLOYMENT

The Negro worker seeks security.—The No. 1 domestic problem of the Nation during the years of transition and peace is full employment. The chief concern of 13,000,000 Negroes is the assurance that postwar America will find a way to use their skills properly. They remember all too well the long depression years when they constituted a disproportionate share of the Nation's relief load. Negroes look to the present administration to eliminate this condition.

Employment of Negroes during the war.—Just as the Nation before VE-day reached an all-time high in the number of gainfully employed workers, Negro workers have similarly enjoyed better work opportunities recently than at any time in their employment history. This favorable situation has been the direct result of two forces: (1) The demand for labor in essential industry; and (2) the operation of manpower controls, particularly antidiscrimination measures.

The Bureau of Labor Statistics reports that slightly more than a million Negro workers were added to the civilian labor force between April 1940 and November 1944, increasing the number of employed Negro men and women from 4.4 to 5.3 millions. This increase in job opportunities was characterized by a striking development which will affect postwar job prospects for these workers. Whereas only a small proportion of Negro workers were formerly employed in jobs other than unskilled labor, it is now estimated that 30 percent of these workers are engaged in semiskilled and skilled operations in a wide range of industrial processes. Significant also, is the fact that the number of Negroes on the Federal pay roll has increased from a peacetime total of approximately 60,000 to a total of 273,000 at the end of the war. Along with this increase in number of jobs, there has been a corresponding increase in the types of jobs available to them. In 1938, 90 percent of Negro workers in Federal service in Washington were classified as custodial workers, and 10 percent as clerical, technical, and administrative workers. Today, 40 percent of them are custodial, and 60 percent are in the higher categories.

Concentration in war production.—According to the War Manpower Commission, 726,000 Negroes were employed in July 1944, in all industries engaged in the manufacture of materials of war. These workers were distributed in the following major industries:

Aircraft-----	107, 000	Basic nonferrous metals-----	22, 000
Shipbuilding-----	182, 000	Subtotal-----	16, 000
Ordnance-----	142, 000	Other munitions-----	178, 000
Communications equipment-----	19, 000		
Basic iron and steel-----	60, 000	Total-----	726, 000

The disproportionate concentration of Negroes in those industries which will suffer the greatest cut-backs after the war is one of the most unfavorable factors affecting their employment prospects.

Reconversion and Negro workers.—The majority of Negroes, therefore, now employed in essential industries will be forced to look for work in new fields. It should be noted also, that they have found employment largely in the congested industrial centers where competition for peacetime employment will be most acute. For this reason, a return to prewar discriminatory hiring practices will lessen the reemployment chances of displaced Negro workers. Moreover, Negro workers in most cases were the last to be hired; hence, the lack of union seniority will further retard their reemployment. The effects of cut-backs have already been felt in several shipbuilding and aircraft production centers where Negroes have been among the first workers to be released. It was estimated that some 400,000 Negro war workers would lose jobs between VE-day and VJ-day. Over-all displacement of Negro war workers because of cut-backs as well as the loss of war jobs to returning veterans whom they have replaced was expected to increase this total.

Postwar job prospects, full employment and fair employment practices.—The realization of our peacetime goal of full employment becomes extremely important to Negro workers. Experience has shown that because of their marginal status in industrial and commercial employment, Negroes suffer a disproportionate share of unemployment and underemployment during any period of economic regression. But it must not be assumed that their job problems will disappear even if we achieve a relatively high level of peacetime employment. There is always the possibility that some employers, relieved of the responsibility for continuing fair employment practices, will revert to discrimination against Negro job seekers. There is the possibility, too, that labor unions, acting under pressures, may attempt to protect jobs for their white members at the expense of Negro workers. These two possibilities lead to the conviction that special efforts will be required to continue the desirable wartime trend of distributing jobs entirely on the basis of a worker's skill and capacity—a practice which previously has not been followed where Negro workers are concerned. The achievement of full employment and fair employment practices instituted by legislation or administrative regulation are both necessary to the maintenance of an improved economic status among Negroes. Thus, two bills now before the attention of the Congress take an additional importance and demand a full hearing and early action by elected representatives of the people. The first is the Full Employment Act of 1945, S. 380, to provide for "full employment of American labor." The second is the Dawson-Scanlon bill to provide for permanent peacetime machinery to insure fair employment practice.

Management's attitude.—It is significant to note that important sections of management, as revealed in a study of 300 war plants by the National Urban League, have reported favorably on the performance of Negro workers, notwithstanding the fact that the vast majority of them were newcomers to industry and had to be trained on the job. This revelation tends to give some assurance that progressive management will look with favor upon granting Negro workers a fair chance for peacetime employment provided, of course, our economy maintains a high level of production and consumption. It should be added, however, that a number of these industrialists have expressed the conviction that some form of permanent legislation would be needed to eliminate racial discrimination in employment.

Attitude of labor.—A heartening development during the war period has been the relaxation of exclusionist policies in the labor movement. Such information as is available indicates that approximately 1,500,000 Negro workers are currently members of labor unions connected with the CIO, A. F. of L., or independent unions. Notable exceptions in this regard are the railway brotherhoods, against whom action is now pending as a result of their refusal to comply with the FEPC directive. Some unions have partially relaxed their prewar policies, such as permitting the establishment of auxiliaries for Negroes only, or issuing special work permits for them. Obviously, these changes in policy do not give Negro workers a chance to work freely at the job of their choice, nor does it permit them to enjoy the protection of full union membership and participation. Certain local affiliates of international unions have failed to bring their practices in line with the policies of their respective internationals, and they are deliberately restricting freedom of choice in employment opportunities for Negro workers. Unless there is a more vigorous effort to secure fair labor practices in all labor unions, Negro workers will face an added barrier to equality of job opportunity.

The National Labor Relations Board in three recent decisions involving collective bargaining of unions and the right of Negro members to unrestricted membership, has in effect given the sanction of the Federal Government to discriminatory practices against Negro workers. The Board certified three unions as the exclusive agents of all employees in each of the three cases, although Negro members of these unions did not enjoy the rights and privileges of full membership status. On the other hand, the United States Supreme Court in the *Brotherhood of Locomotive Firemen and Enginemen* case, and the War Labor Board in several other rulings, have given opposite decisions. We are convinced that a basic definition by law, or by regulation with the force of law, and Federal implementing machinery are two of the most appropriate and sure means of eliminating such restrictive membership practices.

The United States Employment Service.—The United States Employment Service is, and will probably be, a strategic point of contact for Negro workers and veterans seeking employment. Racial practices in some local, regional, and area offices of the United States Employment Service have advanced in the past 4 years, but there is much room for improvement in the service of routing Negro workers to jobs. Among other things, few offices employ Negro personnel at levels which permit them to share in policy making or program planning. For instance, in region VII covering Alabama, Florida, Georgia, Mississippi, South Carolina, and Tennessee, a negligible number of Negroes are to be found as interviewers or counselors despite the high proportion of Negroes in the population of the region.

Civil Service.—The number of Negro workers enjoying Federal civil-service status has increased from 60,000 to 273,000 during the war. The majority of these workers have only temporary civil service status, but many of them will seek to qualify for permanent employment now that the war is over. The continuation of fair and impartial practices with respect to the selection and assignment of Negro eligibles to job openings under civil service jurisdiction will aid materially in preventing discrimination against them.

Phases of social security.—The need for a higher level of unemployment benefits has been stressed by the President of the United States. Negro workers, who will be seriously affected by cutbacks, are among those whom the solution of this issue will affect most directly.

Indeed, the social-security program we now have is of little direct benefit to millions of Negroes. The act excludes, from both unemployment insurance and old-age and survivors insurance, employees in private households and farm work—two occupations in which millions of Negroes make their living. Some 45,000,000 wage earners are now building protection against the economic risks of death and penniless old age under the Federal old-age and survivors insurance program. The opportunity to share these benefits is denied to some fifteen to twenty million wage earners, many of whom are Negroes. Of all monthly benefits awarded in 1942, only 6 percent went to Negroes, although they normally represent about 10 percent of our working population.

Unless the Social Security Act is changed, there is also real danger that many Negroes now in industrial jobs and contributing to the social security fund will not be protected against the hazards of unemployment or old age. Many of them who lack the industrial tenure required for benefits may be forced to return to employment not now covered by the Social Security Act. Unemployment insurance, too, excludes from its scope domestic and agricultural service, public employment, and certain other jobs. In many States those who work for small firms are not covered. Here again large numbers of Negroes find themselves automatically left with no insurance protection. Constructive proposals now before Congress would eliminate such discrimination in the coverage of workers. The words "social security" will take on meaning for millions of Negroes if these proposals are enacted into legislation.

HOW WILL RECONVERSION AFFECT NEGRO WORKERS?

(By Julius A. Thomas)

On VE-day I crossed a busy intersection in Harlem, observing the hilarious excitement occasioned by the end of the war in Europe. A few feet away stood a small group of young fellows about to join in the demonstration. One sober-faced youngster who seemed to share little of the enthusiasm of his friends suddenly burst forth with this observation: "Boy, what you so happy about? Don't you know that means the end of yo' job?"

Certainly, I would not say the attitude of this young man was typical of the Negro's reaction to the termination of one phase of the most brutal war in world history. Thousands of patriotic Negro families are rejoicing over the prospects of having husbands, brothers, sons, and loved ones back home again. But for countless other families, Negro and white, the end of the war means loss of jobs and the end of war-born prosperity. Thus, the grim possibility of widespread unemployment hangs like a menacing cloud over the Nation even before we silence the drums of war in the Pacific.

For the Negro worker, war has always been an important factor in shaping his economic destiny. The Civil War gave him the right to sell his labor as a freeman, and the First World War enabled him to taste the fruits of industrial opportunity. The present war has opened wide new doors of employment, thereby permitting hundreds of thousands of Negroes to master new skills and industrial techniques. It is understandable, therefore, that many Negroes should anticipate with serious misgivings the possibility that the return to a peacetime economy will mean the loss of these newly acquired jobs in industry. What reconversion will mean for Negro wage earners is, therefore, an important aspect of the whole problem of postwar employment. We shall not find a satisfactory solution for the over-all problem unless we face squarely and dispassionately the precarious position of 13,000,000 Negroes in our society.

The role of the Negro worker in the American economy is too well known to require additional documentation in this article. The patterns that were crystallized during the long years of slavery have changed but very little during the past 80 years, despite vast improvement in the Negro's educational opportunities. Only the fields of racial service have afforded the majority of trained Negroes a real chance to demonstrate their capacities and abilities, and this fact tends to perpetuate a narrow one-sided philosophy of Negro education. Thus the recent large-scale movement of Negro workers into industrial employment becomes more significant against this background of tradition in racial employment practices.

NEGRO LABOR DURING THE WAR

More than a million Negro workers have been added to the labor force during the past 4 years, while another million Negroes have been inducted into the armed forces. Unemployment has been virtually wiped out in most sections of the country. In the production of essential war materials 1½ million Negroes will be found. About 20 percent of this number are women workers who were among the last persons called upon to round out our wartime labor force. While there has been a decided increase in the number of Negro workers employed in what we consider continuing industries, the majority of Negro war workers have been employed in strictly war production. According to the War Manpower Commission's most recent reports, the Negro labor force in essential employment is distributed in the following categories: Shipbuilding, 192,000; aircraft production, 116,000; ordnance and communication equipment, 122,000; basic metals and rubber, 103,000; other munitions, 160,000. From these estimates it will be observed that 600,000 Negro workers are concentrated in the industries that will suffer most severe cut-backs when peace comes.

Another 210,000 Negro workers have increased the number on the Federal pay roll from 60,000 to almost 270,000. Employed under temporary civil-service contracts, many of these workers will be released 6 months after the end of the war or when their services are no longer needed. A substantial number of these Government workers are in white-collar or clerical jobs, a field which has offered very limited opportunities for Negro workers. It is worth mentioning in this connection that before the war, 90 percent of all Negro workers in Federal employment were classified as unskilled workers and were employed largely as janitors, messengers, and laborers in custodial service. During the past 4 years, according to a study recently released by the Division of Analysis of the Fair Employment Practice Committee, the number of Negroes on the Federal pay roll classified as clerical, administrative, and technical workers constitutes almost 35 percent of the total Negro employment. The percentage of Negro workers in the total Government work force increased during the same period from 8.4 percent to 12.5 percent. This substantial change in the status of Negro-Government workers will be materially affected when demobilization of the vast army of civilian Government workers finally begins.

THE NEGRO VETERAN

Approximately 1,100,000 Negroes have been inducted into the Army, Navy, Coast Guard, and other branches of the armed forces. In this group are more than 50 percent of all Negro males between 18 and 37 years of age. They have come from every section of the country in about the same proportion that they bear to the total local population. As would be expected, almost 70 percent of the Negro enrollment in the military services came from the Southern States, and 50 percent of this number are from rural sections of the South. We have only tentative estimates of the size of our peacetime Army and Navy, but it is very possible that we shall maintain a force of at least 2,500,000 men. Assuming that Negroes will constitute 10 percent of the postwar Army, we may expect the eventual demobilization of almost 800,000 Negro veterans of this war.

The return of these men to civilian life will further intensify the employment problems of Negro wage earners in spite of the provisions of the GI bill of rights. To begin with, relatively few Negroes in the service had jobs to which they will want to return after the war. The most accurate estimates available indicate that not more than 25 or 30 percent of all veterans will return to prewar employment. It is doubtful that 15 percent of Negro veterans held prewar jobs that will satisfy them when they are discharged from the service. We may expect, therefore, the return of some 700,000 Negro veterans to a saturated labor market soon after peace comes. An estimated 50,000 Negro veterans will take advantage of the educational opportunities offered in the GI bill.

The adjustment of these men to our peacetime economy will not be an easy task. To begin with, Negroes in the Army and Navy have been used primarily in non-combat units—engineers, transport, quartermaster, communications, supply, and maintenance services. In addition to the basic military training which they have received, many of them have acquired skills and experience which they could never have gotten in civilian life. Undoubtedly they will prefer jobs in which some of these skills can be utilized. If they are denied a fair chance at available jobs in the occupational fields of their choice, they will have just cause to question the integrity of our peace aims just as they have had reason to doubt the sincerity of war aims when their interests were involved.

NEGRO MIGRATION

In the midst of the social and economic upheavals caused by this war, another significant change in the distribution of the Negro population has been observed. The movement from the farm to the city and from the South to the North—a movement which was sharply accelerated during World War I and immediately thereafter—has made the Negro predominantly an urban dweller. The Bureau of Labor Statistics reported recently that the male Negro labor force on farms declined from 47 percent in April 1940 to 28 percent in 1944. While this movement did not get under way until the need for workers in west coast, southern, and eastern shipyards became acute, at least 800,000 Negroes have deserted the farms for work in industrial plants during the past 4 years.

Whether or not these people will return to their rural habitat when the war is over is not certain at this point. The prospects are, however, that the vast majority will not return unless the much discussed industrialization of the South proceeds at a more rapid rate. It is even predicted that the end of war will usher in another period of migration from the South to the North, Middle West, and west coast. The movement, according to some observers, will be spearheaded by Negro veterans in search of better working and living conditions for themselves and their families. This unpredictable factor in the postwar attitudes of the Nation's Negro population may exert a considerable influence on race relations not only in the field of employment but in many other areas of community life.

CAN WE SOLVE THE PROBLEM?

Most people agree that if we are able to maintain a high level of employment after the war, many of the problems discussed in this article will be resolved. Of course the future of our national well being can be said to depend on this imponderable. But the cold fact is that the Negro worker will have more than his rightful share of frustrations and disappointments in his efforts to broaden his economic outlook.

In the first place, a disproportionate number of Negro workers and veterans will have to be reemployed. They will be competing in a labor market against the best trained labor force the Nation has even produced. While most employers agree that Negro workers have demonstrated their ability to produce as much as any other workers when given an opportunity, strong pressures generated in an atmosphere of insecurity and fear may prove too powerful to overcome in the struggle for the continuation of fair employment practices after the war.

By no means should it be said that all employers will yield to the undemocratic attitudes which have their roots in race prejudice. The writer has talked with scores of industrialists who have given every assurance that they will continue to employ Negro workers and give them a fair chance to develop their skills and capabilities. But it should be remembered that many employers, even during the war, employed Negro and other minority-group workers only to the extent necessary to comply with Federal directives and regulations. "The end of the war will give us the chance to eliminate many undesirable workers whom we didn't want in the first place," one employer remarked recently. Happily, this does not represent the attitude of the majority of progressive spokesmen for industry and business. Nor does it reflect the thinking of enlightened labor leadership whose influence has played no small part in removing many of the obstacles to the employment of Negro workers in the hundreds of war plants.

The solution to this vexing problem is to be found in the conscience of the American people. In no sense have the depressed masses of Negroes in America had a fair chance in the Nation's economy. The rigid controls imposed by an unyielding caste system have "kept the Negro in his place" more often than they have given him an opportunity to know how it feels to be a first-class individual. This contradiction in our racial practices has not only restricted the Negro's opportunities for profitable employment but it has set him apart in an isolated compartment of our national culture. His personality, his family life, his chances for an education, his house, even the street in which he resides, reflect the devastating effects of cultural and economic ostracism.

The war has afforded an excellent opportunity to examine the basis of human relations in our society. Many thoughtful Americans have come to understand the real meaning of human freedom and equality of opportunity. They are more disposed to extend these fundamental rights to all American citizens regardless of race or religion. It is in this heartening possibility that we shall discover the courage and wisdom to make democracy a living reality.

(The article by Julius A. Thomas appeared in June 23, 1945, issue of the Catholic publication, *America*. Mr. Thomas is the director of the department of industrial relations of the National Urban League, 1133 Broadway, New York, 10, N. Y.)

STATEMENT OF THE SOCIAL ACTION DEPARTMENT OF THE NATIONAL CATHOLIC WELFARE CONFERENCE IN BEHALF OF H. R. 2202, THE FULL-EMPLOYMENT BILL

The social-action department of the National Catholic Welfare Conference wishes to record approval of the general provisions of the full-employment bill, both the bill that passed the Senate and the bill introduced in the House. One provision of the Senate bill as passed—the one making it mandatory upon the President and not simply permissive to consult private groups and State and local governments—is a great improvement.

The N. C. W. C. social-action department which endorses this bill is that department of the Catholic bishops' organization of the United States that especially deals with this subject. We have been working on it for over 25 years.

The advantages of the bill are simply that it instructs the executive department to make studies, estimates and recommendations on employment and unemployment, sets up a joint congressional committee on employment and unemployment and, in the Senate bill, instructs the President to consult with private groups and with the State and local governments in his presentation of facts and recommendations. There is nothing startling in the bill, and, as far as we can see, no great difference between the bill passed in the Senate and the bill before the House, except in the last point. In both bills the President may set up advisory committees but in neither bill is he instructed to do so. We hope he shall do so.

We are in favor of the bill because it would organize the Federal Government better and would instruct governmental cooperation with private groups and the States, cities, and counties so as better to handle the governmental part of the

job of getting full employment. Yet the bill remains essentially a timid bill in the face of the threat of recurrence of unemployment—second, only to war, as a scourge of our time and itself an incitement to war.

It is a timid bill because it does not set up a way through which Government can help nongovernmental economic life to get the full employment which the bill aims at. As for ourselves we wish that industry councils would be set up in each industry and federated, and, with the Government helping them, work out the conditions of full output and full employment. Sooner or later this proposal will come to the front again. As it is, the bill lets things go, and then when there is failure calls on the Federal Government to act. We should like something more basic. Yet we remain in favor of the bill because if passed it can do a great deal, and because basic proposals have little chance now but may have a great chance if Congress organizes itself to handle the problem and if the President gets the executive department to act and secures the advice of private groups and the State and local governments.

We are not in favor of this bill as a cure-all. We are not in favor of its major emphasis upon governmental action as a remedy for unorganized private failure. We are in favor of it as a beginning toward a joint move by Government and organized industries and professions toward full output, full employment and a good living for everybody and a move by Government to fulfill its functions. The bill should be passed with the expectation that it will be amended later or supplemented to meet the full needs.

SAN FRANCISCO, CALIF., October 29, 1945.

HON. CARTER MANASCO,

House of Representatives, Washington, D. C.

DEAR SIR: The impairment of the economy and the drain on Government finances under the full employment bill seems almost self-evident, and it has come to attention that they are being carefully considered by your committee. However, the likely effect of the operations under the full employment bill on the enterprise, self-reliance, and integrity of the people of this country concerns me. Perhaps the possible effect can be foreseen through reviewing some results of previous attempts of the Government to nurture great numbers of our adult population.

Prior to 1933 we did not have much evidence as to how large-scale Government paternalism would work in this country. With the WPA and similar made-work programs, and now with the passage of a few years' experience in unemployment insurance and other benefit measures, it appears we have first-hand evidence. It is a rare case where a family, through immediate or distant relatives, has not had one or more of them taking advantage of this outpouring of Government money, and where the individual has adjusted himself or herself to living on these moneys. Also in too many cases they lost their desire to exert any physical or mental effort beyond that necessary to obtain these moneys. Many of these individuals have worked during the war, but it can be anticipated that they will be among the first to appear on new rosters of those receiving Government benefits. These were not necessarily common laborers.

Near one of the small San Joaquin Valley towns a Government compound for housing itinerants, principally Okies, was erected during the late depression. One day a utility division manager telephoned the personnel manager and said that he was having a difficult time maintaining his common-labor force. He said, in substance, "We have been trying to cooperate by giving employment to these Okies, but we find that after a few days they fail to show up, or quit, and that is the last we see of them. We also hear they have passed the word around that this is a good location because it is easy to get a little money. It appears we are increasing rather than diminishing the local itinerant problem by hiring them." Further investigation revealed that the manager's conclusions were correct. Common labor was being paid \$5 per day (strictly pick-and-shovel), and the Okies would work a few days and quit. This seemed to provide enough cash to last them a long time and they did not work at local crop harvesting, the principal purpose for which the Government housing projects were located in that area. A check in other locations where there were similar settlements revealed the same experience. This is not surprising, but it is evidence of how little incentive this class of labor has to work and how easy it is to remove that little incentive.

It will be recalled that when PWA and WPA were conceived, its proponents stated that the principal objective was to provide income to the individual in

such a manner as to avoid the stigma of charity and thereby maintain the individual's self-respect. A review of the actual operation will show that too many of the projects were known to be of little value by the workmen as well as the supervisors, and studied malingering was common and condoned. In fact, loafing and subterfuge were the smart ways of behaving. As most persons have first-hand knowledge of many such cases, it seems unnecessary to document this with examples. However, this is not offered as a criticism of the supervision of PWA and WPA but as a reminder of how such Government-sponsored paternalism may be wide of the initial concept or actually accomplish the reverse result.

There now have been several years of operation under unemployment insurance. The initial concept is very easy to recall, i. e., to tide over the individual who was capable of and who was seeking productive employment. In this State, unemployment benefits have been paid to the following:

1. Former employees who have left work to be married. (General practice.)
2. Former female employees who have left work to bear a child. (General practice.)
3. Former employees who left work to attend school. (Frequent.)
4. Former employees who quit or ask to be laid off to take a trip or vacation. (Often.)
5. Baseball players, character and bit actors, taxi dancers, and similar occupations that are seasonal or in which intermittency is recognized by those who elect to pursue them. (General practice.)
6. Former employees who are now working in uncovered employment. (Agriculture, small businesses.)
7. The pieceworker who quits with the prior understanding that she will collect and share with her syndicate of friends.
8. Employees who have voluntarily quit because:
 - (a) They didn't like the job.
 - (b) They are tired of working.
 - (c) They have real or imaginary grievances against individuals or former associates.
 - (d) There might be greener pastures elsewhere.
 - (e) Go into their own business.
9. Employees who are temporarily or permanently physically or mentally disabled and who are receiving, or are eligible to receive, disability benefits under employer plans. (Frequently.)
10. Employees who have reached their normal retirement date and are receiving pensions under social security and from private plans coincidentally. (Regularly.)

The foregoing list could be extended, but these are sufficient examples of how unemployment benefits were being paid (prior to the war) to individuals whom it was never intended should be given benefits when the plan was being conceived and argued for by industry, labor, and legislators. The aggregate of these payments are large and cannot be dispatched with the statement that they were only the occasional case, and that the great majority of the payments went to the unemployed individual capable of and seeking productive employment. In one large company unemployment benefits paid in cases similar to or identical with those mentioned above aggregated more than 52 percent (over 3-year period) of the total of such benefits paid to former (or existing) employees. In 1940 and 1941 this and other evidence was used by some legislators in an attempt to amend the bill to stop this flow of money, but after long debate the corrective legislation was finally unsuccessful.

The administrative staff of the unemployment reserves commission stated they were aware of this legalized chiseling, but that they could not make a detective's investigation of every case, and could only deal with those where their suspicions were aroused. They stated they had instructed their administrative personnel to not only pay the claims made by such individuals, but where requested, to suggest to individuals how they might obtain the benefits. The flagrant duplications of other social-security benefits, both public and private, have been made in writing and orally, but it appears that there is no way that they can be legally denied.

The employees' viewpoint was that there was plenty of money in the fund, and hadn't they paid for the benefits? Protests from employers in such instances as a voluntary quit (and where the employer still offered a job) served only one purpose—to extend the waiting period from 2 weeks to something like 5 or 6 weeks. There is no public criticism of these misapplications of the act and funds except

perhaps for individuals who do not collect because they fail to make themselves eligible. In other words, it is right and smart to get the benefits and it is stupid to neglect to do so.

This brief statement on unemployment benefits as paid in California is merely offered again as evidence of what happens when government tries to do something about the individual who is unemployed because of his own actions or because of conditions beyond his control. The conclusion must be that the plan is operating wide of the objective in too many cases, the benefits are actually in competition with active employment, and the act is certainly not inducing the people to stand on their own feet.

If time and your patience permitted the list of how other government measures to do good have actually been used and abused by the recipients could be extended. For example, there are thousands of cases of individuals, or whole families, who stopped working so as to live on relief. It is well known that the present attempts at price control are encouraging or inciting individuals to engage in devious sales and working practices, and that is not intended as an indictment of price control, but as just another instance of how it has become smart to evade restrictions or to take advantage of benefits.

It is no longer necessary to speculate on the cumulative result. Hundreds of thousands of people have lost their self-reliance in part or in whole, and with each voluntary or involuntary personal reversal in the future will look to someone, principally the central Government, to set them (gently) on their feet or to just continue them in a reclining position. This should not be a great surprise. With rare exceptions we people are inherently mentally and physically lazy, and are stirred out of our lethargy by threats or rewards. Until recent years we had put great emphasis on the latter, but I am not sure how much of this remains. It was the system under which I grew up, and there was no time when I felt that anyone owed me anything. I believed in the then doctrines that if you were a law-abiding citizen, studied, worked hard and set aside something in fat years for lean years, over the long pull your course would be generally upward. I still believe that is something more than just a New Year's resolution or a pious injunction.

Lest the foregoing be discounted as coming from someone who does not know the problems of the working man, I am forced to give a thumbnail autobiography.

1. I have been entirely self-supporting since age 18, and except for food and shelter have provided the income for my education and other purposes since I was age 12. Present age, 47.

2. Put myself through high school and college by working in machine, boiler, and pattern shops.

3. Have been a member of a union and have been affected by both right and stupid strikes.

4. Served in the ranks of the United States Marine Corps in World War I and served (42 months' active duty) as an officer in the Army Air Forces in World War II.

5. Am presently a registered Democrat.

6. During puberty I considered myself a Socialist, but this lofty state came to an abrupt end when I discovered that out of 10 Socialists there were 9 varieties, and that the only point of agreement was that when they succeeded in their particular brand of revolution they hoped they would land on top.

7. A member of the Congregational Church.

8. My parents and ancestors were born either in the British Isles or the United States.

9. I believe I have only one phobia—that (and I can prove) this is the greatest country in the world, that it is my country, and that I owe it much.

The fact that people devise ways to obtain Government benefits for reasons for which they were never intended to be paid should not surprise any mature person, nor is it peculiar to this country nor necessarily due to poor drafting of the legislation. In this regard the experience in the United States with do-good measures accord with that of the Scandinavian countries—which experience existed when this country's parallel legislation was being conceived.

In this regard I would like to recite an example of a young Scandinavian who came to this country because he wanted to progress. He said the only prospect for advancement in Scandinavia was in the event of the death or retirement of his superior, that there was little prospect of any horizontal movement to a better position elsewhere, and that the country offered no challenge. He facetiously described the workaday life of himself and his young associates as follows: "We worked all week, paid our bills on Saturday, got drunk Saturday and

Sunday, and started from zero again on Monday." He described how practically all of life's difficulties, such as injury, unemployment, care of his parents and his own ultimate retirement were provided for by the government and that there was little reason to provide anything additional. He said there was no incentive to bake a better loaf of bread, as the government prescribed the ingredients and the price, and that if you did make a better loaf, no one would believe you, nor would they be willing to pay more for it. The government's minimums had become the maximum standards.

The Scandinavians are a splendid race, and it is believed they could have given a better account of themselves in World War II. It is hoped that this experience will make them recall the need to keep their mental and physical muscles strong and active, but it is feared they may return to the soft ways of their life, propagated by their self-inflicted government paternalism.

Prior to the war we were fast headed in the same direction, but the war halted this trend. If it has not reversed it, it is suggested that we would do well to critically look at the effect on these other peoples of their long-time comprehensive government protection against all of life's vicissitudes.

An inspection of the first marches of history's aggressors shows that they seldom initially attack anyone who they think is prepared and determined to give a good account of himself, as they cannot risk even a small possibility of defeat nor the losses from stiff resistance. There will be other aggressors, and I hope we stay individually and collectively tough enough to make it clear that it would be unwise even to start a Sunday punch in our direction.

In recent years we have been hearing the contention that all industry operates solely to give employment. This is not only opposed to the reasons for industry's being, but a delusion which may deceive its employees. Industry, as we conduct it in the United States, can only expect to exist and progress if it provides useful and needed products and services at prices which its customers are willing to pay. It accomplishes this objective through its finances, facilities, and personnel, and these in turn must have something required in the process. Hence the better we equip ourselves and the more useful we can become, the greater our value to industry, our nation, and ourselves. We need to be frequently reminded of this reality, and it is a great disservice to us to conceal or pervert it in any manner. Therefore we must be chary of any legislative proposal that will enervate rather than energize us.

It is urged that the full employment bill be reviewed in the light of its long-term effect on the enterprise, self-reliance, courage, and rectitude of the people, as well as its near-term difficulties of administration and its possible demands upon the economy and finances of the Nation.

Thank you.

Respectfully,

ROBERT A. HORNBY.

MERCHANTS AND MANUFACTURERS ASSOCIATION,

Los Angeles 14, October 8, 1945.

HON. CARTER MANASCO,

Chairman, Committee on Expenditures in the Executive Departments,
Washington, D. C.

DEAR MR. MANASCO: Our Merchants and Manufacturers Association, representing 1,500 employers who have several hundred thousand employees, has approved of the attached statement in opposition to the so-called full employment bill. You may be interested in what we feel to be self-evident truths, and particularly the problems of allocation of employment brought out in this statement.

Yours truly, .

PAUL SHOUP, President.

COMMENTS UPON THE FULL EMPLOYMENT BILL, S. 380

The measure is variously known as the full employment and 60,000,000 jobs bill. It is of extreme importance because it establishes a policy of Federal control over and responsibility for private and public employment never associated heretofore with a republican or democratic form of government. The bill in substance provides:

(1) A national policy to "assure the existence at all times" of jobs for all Americans, not housewives or in school. This employment is to be "useful, remunerative, regular, full time."

(2) To secure the "full-time employment," it is the responsibility of the Federal Government to provide Federal expenditures to the extent that continuing full employment cannot otherwise be achieved.

(3) The President is to send the Congress at the beginning of each session a budget which sets forth for the ensuing fiscal year (before July 1) or longer period (a) estimated size of labor force (people available for jobs), including self-employed; (b) estimated expenditures, private and Government, required to provide these jobs; and (c) estimated expenditures in sight as against the need.

If work in sight does not provide employment opportunities for all the labor force, then the President in such budget will recommend a program, including legislation, to increase private expenditures and Federal expenditures as may be necessary to take up the slack.

If, per contra, the expenditures, private and public, estimated in the budget are more than enough to give full employment, the President is called upon to "set forth in such budget a general program for preventing inflationary economic dislocations or diminishing expenditure to the level required to assure a full employment value of production, or both—in other words, reduce prospective number of jobs.

Additional governmental power is to be given through such program by control over alleged monopolies.

The budget is to report on the distribution of the national income during the preceding year and what has been accomplished by the budget programs affecting the "distribution of the national income."

(4) The President is given administrative power with needed aid to set up the budget.

(5) Congress is to set up a joint Senate and House committee to study the President's budget; make report to the Congress not later than March 1 annually "as a guide to the several committees dealing with legislation" relating thereto. Legislation is to follow as may be found necessary by the Congress.

(6) The President is to review quarterly all Federal expenditures to determine whether employment conditions warrant any changes.

(7) Administrative departments are to cooperate with the Congress in giving aid to its consideration.

(8) No authorization is intended to have the Federal Government operate "plants, factories, or other productive facilities," or to use compulsion "in determining the allocation or distribution of manpower," or to make any change in existing procedures or appropriations, or to do anything under this act unless authorized by other law.

In considering the policies to be established and the legislation to be enacted thereunder we hold these truths to be self-evident:

(1) Useful employment is determined only by our people through their use of their purchasing power individually or collectively to fit their wants and needs. There must be then available to that purchasing power a constant increase in volume and in variety of the goods and services with widening circle of distribution to meet these desires. Purchasing power has no value except as there is something available to purchase.

(2) The wants and needs of our free people are not to be regimented. They are of individual origin and individually expressed, with free and sometimes collective acceptance in the action taken. If individual independence is to be preserved that individual right must be maintained.

(3) Full employment achieved through Government control and direction is closely akin to slavery.

(4) A plan such as this measure proposes for Government control of employment is to be tested not by its intent but by its practicability.

(5) The prosperity of our American people depends upon the maintenance of the fullest opportunity for personal enterprise and creative industry in all activities within service to the common good; the opportunity to apply the arts and sciences and all their advances to increase the interchange of goods and services among our people. There must be recognition of the value of individual independence, of the establishment of a purchasing power through thrift as well as earnings; reward for knowledge, application, perseverance, hard work, productivity, ventures constructive in nature.

(6) Excessive taxation in all governments at all times, whatever the purposes, has destroyed government and brought misfortune to the people; taxation is destructive to constructive enterprise and cannot usefully be invoked to provide "full employment."

(7) In maintaining and restoring employment as well as individual independence, there is no substitute for "money in the bank." It meets the vicissitude of

fortune; but more, it is the power used to seize opportunity; it gives confidence, and reinvigorates and restores prosperity. This power is destroyed by taking such money by taxation to provide so-called full employment.

We submit that this measure must be considered in connection with these self-evident truths and offer in support the following reasons:

(1) Useful employment determined by our people through their purchasing power to fit their wants and needs includes demands for an unnumbered variety of articles, running literally into millions of items; food, clothing, a motor car, a pleasure or business trip, a highway or a new school system, a book, or a telescope. How will these millions of items be produced according to the varying wants of our people by legislation? The job of Sisyphus in rolling stones up hill all day to have them roll back at night is no good, for it produces nothing. We have had ample demonstration that the make-work theory does not work; unemployment in January 1939 in the available labor supply was around 10,000,000 people, or 20 percent.

(2) Employment, whether reduced by legislation or increased by legislation, must produce the goods or services which in turn must be used by our people. This control is regimentation of purchasing. It interferes definitely with individual independence to express wants and needs through purchasing power used in accord with their own free will; or to produce through such individual independence. Is it the intent of this measure to try to repeal the law of supply and demand? It proposes to enlarge upon, or cut down the activities of business—what business?

(3) The only full employment in the world at any time has been that instituted by slavery. Slaves have had full employment and with that food, shelter, and clothing—and lost all else. For under this legislation obviously the man or woman must take the job that is offered, or there is no full employment. He must keep it for the same reason. If no one takes a job then necessarily it disappears. Therefore, if our American people are to have "regular and full-time" employment they must under this program relinquish these rights; to take or quit a job by individual choice, to work when and where they please, to explore opportunities until they find a place in which contented and useful, to adventure and advance by fitting themselves for better jobs, with or without present employment. During the war we had approximately full employment. How? By drafting 11 or 12 million of our young men into a regimented though patriotic military service; by tying others at home by certificate plans and otherwise to jobs with minimum hours of work, and sacrifice of the right to take another job if they quit the one they had. Is that the full employment this measure seeks? In its last paragraph the measure says "No," but it is contradictory of what precedes; because how otherwise can these job openings made by legislative mandate result in full employment? How can we by legislation maintain opportunities that nobody makes use of or fails to stay with?

Are we not instituting another financially costly political experiment in place of the freedom in offering and freedom in accepting opportunities to work which have controlled in the past? In that past our people engaged in interchange of goods and services based upon the right to create, the right to sell, the right to purchase, and the right to use. What progress has our country made under that freedom? It has been well measured by our capacity to fight a world-wide battle successfully.

Our census figures show that commencing with 1870, with some 12,000,000 people gainfully employed, there has been an increase every 10 years ranging from 4,000,000 to 8,000,000, from 1870 to 1930. It is true that between 1930 and 1939, there being some 10,000,000 in the labor force unemployed in the latter year, there was little if any gain; but it is to be remembered that this likewise was an era of replacing individual responsibility, initiative, and enterprise with government experiments, activities, and controls, with heavily increasing burdens of taxation.

(4) Wishful planning like wishful thinking must be tested not by its purpose but by its practicability. It is a proper enough program for the Federal and all other of our governments in the United States to make their public expenditures at a time when there is marked unemployment. No legislation is required to do this, and no legislation should control it. It is a question in each individual case of sound judgment locally or nationally as to when such work should be undertaken. But we submit that here as in all other human affairs the time element is of great importance. It may be the essence. Can a needed schoolhouse, a new sewer system, an overcrowded and dangerous highway, a flood control, or a new fire station, await indefinitely the coming of un hoped for and unknown hard times? But all these public enterprises have marked limitations in furnishing direct

employment and are of very limited value compared with the volume of private expenditures in furnishing employment indirectly by increasing purchasing power. Look up the records and note how small the volume of "outside" expenditures is by all governments compared with the dollar value of the total transactions of our people day by day in their interchange of goods and services—always the chief and major source of our employment.

The census figures show the following principal occupations and number of employees in the United States in March 1940:

Professional and semiprofessional workers-----	3,352,580
Farmers and farm managers-----	5,160,940
Proprietors, managers, and officials, except farm-----	3,753,800
Clerical, sales, and kindred workers-----	7,552,080
Craftsmen, foremen, and kindred workers-----	5,076,140
Operatives and kindred workers-----	8,263,740
Domestic service workers-----	2,107,200
Protective service workers-----	675,440
Service workers, except domestic and protective-----	2,781,100
Farm laborers and foremen-----	3,053,640
Laborers, except farm and mine-----	3,074,320
Occupation not reported-----	530,300
Total -----	45,381,360

These classifications in turn reflect thousands upon thousands of different kinds of jobs, skilled and unskilled; manufacturing alone has 77 basic products, many requiring over 100 separate skills.

May we not inquire how by legislation it is proposed to create jobs for these people at their homes, at the wages and in the skills in which they are experienced, in this program for full employment?

Or are we to have doctrinaires on every doorstep telling everyone under authority of the law what he is to do to maintain the purpose of this bill?

Further, legislation that is to pour through the door opened by this policy measure is to be used not only to increase but decrease opportunities for employment because of a benevolent Government's view that there are too many jobs being created. (Note sec. 3, b, c, d.) Under such program what becomes of that progress in the creation of goods and services in increasing volume and variety which has made our Nation great? Shall these gentlemen who on the 1st of March in the Congress following the President's views previously expressed in the budget, have the responsibility of telling us that commencing July 1 next we are to lessen certain activities—or the Government use its power on the other hand to increase employment under some crystal-gazing whereby these gentlemen are presumed to be able to forecast what is going to happen in detail in the world of livelihood—and agree—an omniscience which has not been granted any human being heretofore?

The President under this measure is to be given an impossible task of forecasting and the Congress an equally impossible task of controlling this forecast by legislation.

Herein the great danger lies, for adopting a policy and endorsing in advance a certain kind of legislation unknown in form and unproved in its applicability, we are jeopardizing the liberties and fortunes of all of our people by the granting of Federal powers through an established policy, fitted only to an oligarchy; destroying their confidence because they know not when the Government will interfere. For what enterprise, private or collective, what plans of a private nature, can be made in the light of such a possibility of Government interference? The successful individual knows his business. The successful collective enterprise is of men who know what they are doing. They plan, not 1 year, but many years ahead, as the nature of their work permits, and even with their accumulated knowledge do not expect at all times to achieve full success. Our political representatives, spending money for "full employment," take it from the citizen by taxation—without knowing that he might use it better and safeguard it as his own. What right, then, have we to pass responsibility to Government by men little experienced in the creation and interchange of goods and services, the responsibility for controlling, curtailing, upsetting, or attempting to create these things necessary to life, liberty, and the pursuit of happiness?